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SOCIAL SECURITY AMENDMENTS OF 1977

Volumes 1 — 3
H.R. 9346
PUBLIC LAW 95-216—95th Congress

DEPARTMENT OF
HEALTH AND HUMAN SERVICES
Social Security Administration

SOCIAL SECURITY AMENDMENTS OF 1977

Volumes 1 — 3
H.R. 9346
PUBLIC LAW 95-216—95th Congress

REPORTS, BILLS,
DEBATES, AND ACT

DEPARTMENT OF
HEALTH AND HUMAN SERVICES
Social Security Administration
Office of Policy
Office of Legislative and Regulatory Policy

TABLE OF CONTENTS

VOLUME 1

SOCIAL SECURITY AMENDMENTS OF 1977

I. Reported to House

- A. Legislative Report No. 13, "Social Security Financing Act of 1977"— *October 7, 1977*
- B. Committee on Ways and Means Report
House Report No. 95-702, Pt. 1 (to accompany H.R. 9346)— *October 12, 1977*
- C. Committee on Ways and Means Bill
H.R. 9346 (reported with an amendment)— *October 12, 1977*
- D. Committee on Post Office and Civil Service Report
House Report No. 95-702, Pt. 2 (to accompany H.R. 9346)— *October 17, 1977*
- E. Committees Bill Reported to the House
H.R. 9346 (reported with amendments)— *October 17, 1977*

II. Passed House

- A. House Debate—Congressional Record— *October 26-27, 1977*
- B. House-passed Bill
H.R. 9346 (as referred to the Senate)— *October 28, 1977*
- C. White House Statement on House Action on the Social Security Financing Bill— *October 27, 1977*
- D. Legislative Report No. 14, "Social Security Financing Act of 1977"— *October 28, 1977*
- E. Summary of the Provisions of H.R. 9346, The Social Security Amendments of 1977, Ways and Means Committee— *October 31, 1977*

VOLUME 2

III. Reported to and Passed Senate

- A. Committee on Finance Report
Senate Report No. 95-572 (to accompany H.R. 5322)— *November 1, 1977*
- B. Committee-Reported Bill
H.R. 5322 (reported with amendments)— *November 1, 1977*
- C. Legislative Report No. 15, "Social Security Financing Act of 1977"— *November 9, 1977*
- D. Senate Debate—Congressional Record— *October 27, November 1-4, 8, and December 1, 1977*
- E. Senate-Passed Bill
H.R. 9346 (with amendments)— *November 4, 1977*
- F. Comparison of House and Senate Bills With Existing Law (Joint Committee Print)— *November 28, 1977*

TABLE OF CONTENTS *(continued)*

IV. House and Senate Conference (reconciling the differences in the disagreeing votes of the two Houses)

- A. Senate appointed conferees—Congressional Record— *November 4, 1977* (See Senate Debate, page S18845)
- B. House appointed conferees—Congressional Record— *November 3 and 30, 1977*
- C. Conference Report Filed
S. Report No. 95-612— *December 14, 1977*
- D. Senate Accepted Conference Report—Congressional Record— *December 15, 1977*
- E. House Accepted Conference Report—Congressional Record— *December 15, 1977*
- F. Summary of the Conference Agreement (Ways and Means Committee Print) — *1977*
- G. Legislative Report No. 17, “Social Security Amendments of 1977”— *December 16, 1977*

VOLUME 3

V. Public Law

- A. Public Law 95-216—95th Congress— *December 20, 1977*
- B. President’s Signing Statement— *December 20, 1977*
- C. Summary of H.R. 9346 as Passed by the Congress, P.L. 95-216— *December 23, 1977*
- D. Actuarial Cost Estimates for the OASDHI and SMI, as modified by P.L. 95-216, Ways and Means Committee Print— *March 3, 1978*
- E. Social Security Amendments of 1977: Legislative History and Summary of Provisions— Reprint from Social Security Bulletin— *March 1978*
- F. Financial Status of Social Security Program After the Social Security Amendments of 1977— Reprint from Social Security Bulletin— *March 1978*
- G. Brief Summary of Major Provisions and Detailed Comparison with Prior Law, Ways and Means Committee Print— *April 3, 1978*

Appendix

- A. House Ways and Means Committee, Subcommittee on Social Security, Background Material on Social Security Coverage of Governmental Employees and Employees of Nonprofit Organizations— *April 26, 1976*
- B. Message from the President of the United States transmitting an International Agreement with Italy on Social Security, House Document No. 95-297— *February 28, 1977*

TABLE OF CONTENTS *(continued)*
VOLUME 3 *(continued)*

- C. Representative Burke's Annual Reporting Bill, H.R. 8057— *June 28, 1977*
- D. Staff Data and Materials Relating to Social Security Financing, Finance Committee Print— *June 1977*
- E. Administration Bill, H.R. 8218— *July 12, 1977*
- F. Background Materials for Hearings on Social Security, Subcommittee on Social Security of the Committee on Ways and Means— *July 18, 1977*
- G. Short-Term Financing of the Social Security Trust Funds, Subcommittee on Social Security of the Committee on Ways and Means— *September 2, 1977*
- H. Long-Term Financing of the Social Security Trust Funds (Decoupling), Subcommittee on Social Security, the Committee on Ways and Means— *September 6, 1977*
- I. Brief Summary of Testimony Presented to the Subcommittee on Social Security During Public Hearings...on H.R. 8218. . .Committee Print, Subcommittee on Social Security of the Committee on Ways and Means— *September 8, 1977*
- J. Representative Ottinger's Nonprofit Organization Bill, H.R. 8490— *September 22, 1977*

Committee on Ways and Means Report No. 95-618 (Accompanying H.R. 8490)— *September 22, 1977*
- K. Committee on Ways and Means Bill, H.R. 9346— *September 27, 1977*
- L. Short-Term Financing of the Social Security Trust Funds—Subcommittee Draft Legislation, Subcommittee on Social Security of the Committee on Ways and Means— *September 28, 1977*
- M. Senator Haskell's Bill for the Relief of Jefferson County Mental Health Center, S. 690— *February 10, 1977*
- N. Republican Alternative, H.R. 9595— *October 17, 1977*
- O. H.R. 5723 (as reported with amendments)— *October 31, 1977*

House Ways and Means Committee Print, Background on H.R. 5723: Conversion of Temporary Social Security ALJ's— *April 18, 1977*

House Report 95-617, Part I— *September 22, 1977*
House Report 95-617, Part II— *October 31, 1977*

Listing of Reference Materials

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SENATE

{ REPORT
No. 95-572

SOCIAL SECURITY AMENDMENTS
OF 1977

REPORT
OF THE
COMMITTEE ON FINANCE
U.S. SENATE

ON
H.R. 5322
together with
MINORITY AND ADDITIONAL VIEWS



NOVEMBER 1 (legislative day, OCTOBER 29), 1977.—Ordered to be printed

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CONTENTS

	Page
I. Summary.....	1
Social security financing.....	1
Revised benefit formula for future retirees.....	2
Increase in amount of earnings subject to employer tax.....	2
Increase in amount of earnings subject to employee (or self-employed) tax.....	2
Tax rate increase.....	3
Increase in tax rate for self-employment.....	4
Refund of taxes paid by State and local governments and by nonprofit organizations.....	4
Other social security provisions.....	4
Benefits for dependent spouses.....	4
Modification of retirement test and financing of the provision.....	4
Increased benefits for certain widows.....	4
Elimination of certain dual taxation requirements.....	5
Delivery of social security checks.....	5
Limitation on retroactive social security benefits.....	5
Benefit increases as applied to reduced benefits.....	5
Study of spouses benefits.....	6
Study of consumer price index.....	6
International social security agreements.....	6
Nonprofit organization.....	6
Temporary administration law judges.....	6
Social security advisory council.....	6
Welfare provisions.....	6
Fiscal relief for State and local welfare costs.....	6
Quality control and incentives to reduce errors.....	7
Demonstration projects.....	7
Access to wage information for AFDC verification.....	8
Earned income disregard.....	8
II. General discussion of the bill.....	8
A. Social security financing.....	8
The tax base.....	12
Tax rates.....	14
Payment to nonprofit and governmental employers.....	17
Decoupling and wage-indexed benefits.....	17
B. Other provisions.....	25
The retirement test.....	25
Increased benefits for certain spouses.....	27
Offset of benefits of spouses receiving public pensions.....	27
Elimination of certain dual taxation provisions.....	28
Retroactive payment of reduced benefits.....	29
Delivery of social security and SSI checks.....	30
Benefit increases as applied to reduced benefits.....	31
Totalization agreements.....	31
Employees of certain nonprofit organizations.....	33
Special HEW studies.....	35
Permanent status for temporary administrative law judges.....	36
Delay in reporting date for social security advisory council.....	37
C. Public assistance amendments.....	37
Fiscal relief for State and local welfare costs.....	37
Quality control incentives to reduce errors.....	42
Access to wage information for AFDC verification.....	46
Authority for States to operate demonstration projects making employment more attractive for welfare recipients.....	47
Earned income disregard.....	48

IV

II. General discussion of the bill—Continued	Page
D. Actuarial section	51
Actuarial soundness of the OASDHI system	51
Actuarial cost estimates for the OASDI system	51
Effect of the bill on the actuarial balance of the OASDI system	51
Income and outgo in near future for the OASDI system	57
Long-range OASDI cost estimates	60
Basic assumptions for cost estimates for old-age, survivors, and disability insurance system	62
General basis for long-range cost estimates	62
Measurement of costs in relation to taxable payroll	62
Actuarial cost estimates for the hospital insurance program	64
Effect of the bill on the actuarial balance of the hospital insurance program	64
Short-range estimates of the income and outgo of the hospital insurance program	64
Long-range cost estimates for the hospital insurance program	65
III. Regulatory impact of the bill	68
IV. Vote of the committee in reporting the bill	68
V. Budgetary impact of the bill	69
VI. Change in existing law	83
VII. Minority views of Senators Carl T. Curtis, Clifford P. Hansen, Robert Dole, and Paul Laxalt	169
VIII. Additional views of Senators Robert Dole and William V. Roth, Jr.	173
IX. Additional views of Senator John C. Danforth	174

TABLES

Amount of earnings subject to employee/self-employed tax	3
Social security tax rates on employer and employee (each)	3
Status of social security trust funds under present law and committee bill	10
Amount of earnings subject to employee/self-employed tax	13
Tax rates for the self-employed present law and committee bill	15
Social security tax rates on employer and employee (each)	16
Allocation to disability insurance trust fund	16
Benefits, replacement rates, and expenditures under present program 1955-2050	20
Benefits, replacement rates, and expenditures under committee bill, 1979-2050	21
Aid to families with dependent children (AFDC), total maintenance assistance payments, fiscal year 1976	38
Fiscal relief for States under committee bill	41
AFDC—Change in payment error rates, July to December 1976 over April to September 1973	44
Contribution rates for old-age, survivors, and disability insurance under present law and under the committee bill	52
Contribution rates for old-age, survivors, and disability insurance under the committee bill, subdivided by trust fund	53
Changes in actuarial balance of the old-age, survivors, and disability insurance system over the medium-range period (1977-2001) expressed as percent of taxable payroll, by type of change, present law and the committee bill	55
Changes in actuarial balance of the old-age, survivors, and disability insurance system over the long-range period (1977-2051) expressed as percent of taxable payroll, by type of change, present law and the committee bill	56
Operations of the old-age and survivors insurance trust fund, under the committee bill, calendar years 1972-87	57
Operations of the disability insurance trust fund under the committee bill, calendar years 1972-87	58
Operations of the old-age and survivors insurance and the disability insurance trust funds, combined, under the committee bill, calendar years 1972-87	59

v

Estimated expenditures of old-age, survivors, and disability insurance system as percent of taxable payroll under the committee bill, for selected years 1977-2055.....	Page 60
Assumed future changes resulting from automatic-adjustment provisions under present law and under the committee bill.....	63
Contribution rates for hospital insurance under committee bill, as compared with those under present law.....	64
Progress of the social security hospital insurance trust fund under committee bill, calendar years 1972-87.....	65
Changes in actuarial balance of the hospital insurance system expressed as percent of taxable payroll, by type of change, present law and the committee bill.....	66
Estimated costs of hospital insurance system as percent of taxable payroll under the committee bill for calendar years 1977-2001.....	67
Finance Committee budget allocations for fiscal year 1978.....	69
Increased revenues to social security trust funds under the committee bill.....	71
Estimated amount of additional OASDI benefit payments resulting from the committee bill, fiscal years 1978-83.....	72
Cost of payment for nonprofit organizations and governmental entities.....	73
Estimated additional amount of OASDI benefit payments in calendar years 1978-83.....	74
Committee estimates of the cost impact of welfare provisions of the bill.....	75

Calendar No.

95TH CONGRESS }
1st Session }

SENATE

{ REPORT
No. 95-572

SOCIAL SECURITY AMENDMENTS OF 1977

NOVEMBER 1 (legislative day, OCTOBER 29), 1977.—Ordered to be printed

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

REPORT

together with

MINORITY AND ADDITIONAL VIEWS

[To accompany H.R. 5322]

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

I. SUMMARY

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

Social security financing

The committee bill includes several provisions designed to improve the financial status of the social security cash-benefits trust funds which, under present law, face serious deficit situations both over the long run and in the next several years. In combination, the financing provisions in the committee bill will result in a cash-benefits program which by 1990 will build up the trust fund balances to an acceptable level of 50 percent of 1 year's outgo. Over the traditional long-range actuarial valuation period of 75 years, the program has a favorable actuarial balance of +0.06 percent of taxable payroll under the committee amendments.

Revised benefit formula for future retirees.—A substantial part of the long-range social security deficit under present law results from unintended effects of the automatic cost-of-living increase mechanisms adopted in 1972. The committee bill makes the existing law cost-of-living increase provisions apply only to individuals who are already on the benefit rolls at the time each increase occurs. A new automatic adjustment mechanism will apply to the benefit formula for new retirees. This new formula will avoid the overindexing which was characteristic of the present-law formula. Under the new formula, persons retiring in the future will have their benefits determined on the basis of their previous wages after those wages have been adjusted to reflect changes in wage levels occurring after the wages were earned. This approach is generally referred to as wage indexing. The formula adopted is designed to maintain benefit levels as a percent of pre-retirement earnings at approximately the same ratio as applied in the case of persons who retired in 1976.

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

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

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

AMOUNT OF EARNINGS SUBJECT TO EMPLOYEE/SELF-EMPLOYED TAX

Years	Present law	Committee amendment
1978.....	\$17,700	\$17,700
1979.....	18,900	19,500
1980.....	20,400	21,000
1981.....	21,900	23,100
1982.....	23,400	24,600
1983.....	24,900	26,700
1984.....	26,400	28,200
1985.....	27,900	30,300

Tax rate increase.—The committee bill also modifies the social security tax rate schedules to bring in additional revenue. In order to bring in the revenue in a manner related to the projected outgo of the system, the modified tax rate schedule provides for a series of increases occurring in different years starting with 1979. The tax rate increases result in a revised tax rate schedule as shown in the table below. The changes in the hospital insurance (HI) rates shown in the table will, in combination with the tax base changes also included in the bill, leave the HI fund in close to the same position as it would be under existing law.

SOCIAL SECURITY TAX RATES ON EMPLOYER AND EMPLOYEE (EACH)

[In percent]

Years	Present law			Committee amendment		
	OASDI	HI	Total	OASDI	HI	Total
1977.....	4.95	0.90	5.85	4.95	0.90	5.85
1978.....	4.95	1.10	6.05	5.05	1.00	6.05
1979-80.....	4.95	1.10	6.05	5.085	1.05	6.135
1981-84.....	4.95	1.35	6.30	5.35	1.25	6.60
1985.....	4.95	1.35	6.30	5.65	1.35	7.00
1986-89.....	4.95	1.50	6.45	5.65	1.40	7.05
1990-94.....	4.95	1.50	6.45	6.10	1.40	7.50
1995-2000.....	4.95	1.50	6.45	6.70	1.40	8.10
2001-10.....	4.95	1.50	6.45	7.30	1.40	8.70
2011 and after....	5.95	1.50	7.45	7.80	1.40	9.20

Increase in tax rate for self-employment.—When earnings from self-employment were made subject to the social security tax in 1950, the rate was set at $1\frac{1}{2}$ times the employee rate. At that time the employee rate was 1.5 percent and the self-employment rate was 2.25 percent. Over the years as tax rates were increased, the $1\frac{1}{2}$ to 1 ratio was maintained until 1973 when the cash-benefit tax rate for the self-employed was frozen at 7 percent. (When the hospital insurance program was established the self-employment rate for that program was made equal to the employee rate and has remained equal as the rate has increased.) The committee bill would restore the self-employment tax rate for cash benefits to the original ratio of $1\frac{1}{2}$ times the employee rate effective in 1981.

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

Other social security provisions

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

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

Increased benefits for certain widows.—Social security benefits for individuals who continue working past age 65 are increased under present law by 1 percent for each year prior to age 72 that the worker did not receive his benefits. This delayed retirement increment which is added to the individual worker's benefit when he does retire or reach age 72 presently applies only to the worker's own benefit and is not passed through to his survivors. Under the committee bill, any such increment would also be added to the benefit payable to the widow or widower of such an individual.

Elimination of certain dual taxation requirements.—Under existing law, businesses are ordinarily required to pay social security taxes and Federal unemployment taxes with respect to a given employee only up to the amount of annual wages referred to as the tax base. (Under a provision described above, the tax base for the employer share of the social security tax would be increased to \$50,000 effective in 1979 and to \$75,000 in 1985. The base for Federal unemployment taxes is \$6,000 after 1977.) Where a business is organized as a group of related corporations, however, an employee of any one of those corporations who performs services for more than one of them is treated for employment tax purposes as though he were employed by each of the corporations for which he performs services. Consequently, if his wages exceed the tax base, social security and unemployment taxes may be required to be paid in excess of the wage base. The employer share of these taxes over the wage base is not refunded. Under the committee bill, social security and unemployment taxes in excess of the tax base would not be paid in this type of situation starting in 1979.

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

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

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

The committee bill would modify the cost-of-living increase mechanism so that all persons on the rolls at the time of an increase would receive the same percentage increase applied to their actual benefit amounts.

Study of spouse's benefits.—The committee bill would require the Secretary of Health, Education, and Welfare, in consultation with the Justice Department Task Force on Sex Discrimination, to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the social security program, and proposals to bring about equal treatment of men and women under the program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of such things as changes in the nature and extent of women's participation in the labor force, the increasing divorce rate, and the economic value of women's work in the home.

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

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

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

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

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

Welfare provisions

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

In some States, local units of government are responsible for meeting part of the costs of the AFDC program. The fiscal relief pay-

ments to those States under this provision would have to be passed through to local governments. However, States would not be required to pass through an amount in excess of 90 percent of the amount of the welfare costs for which the local government was otherwise responsible.

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

	The State would retain this percent of the Federal savings
If the error rate is:	
At least 3.5 percent but less than 4 percent.....	10
At least 3 percent but less than 3.5 percent.....	20
At least 2.5 percent but less than 3 percent.....	30
At least 2 percent but less than 2.5 percent.....	40
Less than 2 percent.....	50

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

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

The provision would allow States to use welfare funds to pay part of the cost of public service employment, which would have to meet

specified conditions. Participation in the demonstration projects would be voluntary. Costs of the projects would be eligible for the same matching as other AFDC costs, with the limitation that the amount matchable with respect to any participant in the project could not exceed the amount which would otherwise be payable to him under AFDC. Thus, it is estimated that the projects would not result in any increased Federal expenditures.

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

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

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

II. GENERAL DISCUSSION OF THE BILL

A. SOCIAL SECURITY FINANCING

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

The 1977 report of the Trustees of the social security trust funds showed for the fourth consecutive year that the social security cash benefits programs—old-age, survivors and disability insurance or OASDI—were inadequately financed in both the near-term and the long-range future. In addition, the hospital insurance program (HI) was described as being adequately financed over the next 5 years but

with a tax rate schedule which would not finance the program over the long run.

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

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

As for the economic assumptions made for 1973, the most significant were that after 1977 average earnings would increase at an annual rate of 5 percent while the CPI would increase at $2\frac{3}{4}$ percent a year. Even at the end of 1973, this seemed a dim prospect, and the 1974 estimates were based on the assumption that the annual rise in the CPI would average 3 percent a year. The effect of this change, however, was offset to some degree by eliminating an 0.375 percent additional cost which had been included as a "safety factor" for years prior to 2011 in the 1973 estimates. By 1976, the assumptions had been changed to a 5.75 percent annual rise in average wages and a 4 percent annual rise in the CPI.

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

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

In the short term, 1978–87, the changes in the committee bill turn an estimated cumulative deficit for the OASDI program of \$173 billion in 1987 into a positive balance of \$102.5 billion. The added financing for the cash-benefits program also has a small impact on the funding of the medicare program. Table 1 shows the status of the trust funds over the next 10 years under existing law and under the committee bill.

TABLE 1.—STATUS OF SOCIAL SECURITY TRUST FUNDS UNDER PRESENT LAW AND COMMITTEE BILL

[Dollars in billions]

Year	Present law					Committee bill ¹				
	Income	Outgo	Net change	End of year fund	Start of year fund as percent of outgo in year	Income	Outgo	Net change	End of year fund	Start of year fund as percent of outgo in year
A. CASH BENEFITS PROGRAM										
1977.....	\$82.1	\$87.6	-\$5.5	\$35.6	47	\$82.1	\$87.6	-\$5.5	\$35.6	47
1978.....	90.7	97.6	-7.0	28.6	36	92.4	97.7	-5.4	30.2	36
1979.....	99.6	107.4	-7.8	20.8	27	108.0	108.1	-.1	30.1	28
1980.....	108.9	117.9	-9.0	11.8	18	119.6	118.5	1.0	31.3	25
1981.....	117.4	128.9	-11.5	.3	9	136.1	128.8	6.4	38.5	24
1982.....	125.2	140.1	-14.9	-14.6	(²)	147.1	139.1	8.0	46.4	28
1983.....	132.9	152.0	-19.2	-33.8	(³)	157.4	150.0	7.7	54.2	31
1984.....	140.7	165.1	-24.4	-58.2	(³)	168.5	161.9	6.6	60.8	33
1985.....	148.4	179.2	-30.8	-89.0	(³)	190.7	174.7	16.1	76.9	35
1986.....	156.2	194.4	-38.1	-127.2	(³)	205.3	188.2	17.1	93.9	41
1987.....	164.4	210.5	-46.1	-173.3	(³)	219.3	202.6	16.7	110.6	⁴ 46

B. HOSPITAL INSURANCE PROGRAM

1977.....	\$16.1	\$16.2	-\$0.1	\$10.5	66	\$16.1	\$16.2	-\$0.1	\$10.5	66
1978.....	20.9	19.0	1.9	12.4	55	19.2	19.0	.2	10.7	55
1979.....	23.4	22.2	1.2	13.6	56	23.4	22.2	1.2	11.9	48
1980.....	25.6	25.7	-.1	13.4	53	25.9	25.7	.1	12.0	46
1981.....	33.2	29.7	3.6	17.0	45	32.7	29.7	3.0	15.0	40
1982.....	36.2	33.9	2.3	19.3	50	35.4	33.9	1.5	16.5	44
1983.....	38.6	38.5	.1	19.4	50	37.8	38.5	-.8	15.8	43
1984.....	41.0	43.7	-2.6	16.7	44	40.0	43.7	-3.7	12.1	36
1985.....	43.3	49.1	-5.9	10.9	34	45.6	49.1	-3.5	8.6	25
1986.....	50.2	54.9	-4.7	6.2	20	50.2	54.9	-4.7	3.8	16
1987.....	53.6	61.2	-7.6	-1.4	10	53.0	61.2	-8.2	-4.3	6

¹ Includes committee decisions on both tax and benefit provisions. The committee has adopted the administration's estimate of the savings from the administration proposal regarding benefits for dependent spouses as the estimated savings from the related committee amendment offsetting government-employee pensions against such pensions.

² Less than \$0.05 billion.

³ Fund exhausted.

⁴ Reaches 50% by 1990.

Over the long-range 75-year valuation period, estimates that seem reasonable at this time show that the amendments made by the committee bill would result in a small "actuarial" surplus of 0.6 percent of taxable payroll. As indicated in the actuarial section of this report, it is desirable for financing legislation to bring the program as close as possible to exact actuarial balance—leaving, if anything, a slight surplus as a margin of safety. The amendments proposed by the committee would achieve this objective.

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

THE TAX BASE

(Sections 101 and 102 of the Bill)

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

In deciding to increase the amount of earnings taxed to employers, the committee considered a number of levels (including taxing total payroll) and, with the aid of the actuaries, determined that the total package it had in mind could best be financed if the amount were to be increased to a maximum of \$50,000 for each employee starting in 1979. The employer base would remain at \$50,000 through 1984 and then would increase to \$75,000 starting in 1985. There would be no automatic increases thereafter (as under present law) related to future increases in wage level until about the turn of the century when the employee and employer bases have both risen above \$75,000. When the employee base does reach a level above \$75,000, the two bases would once again be equal. Thereafter they would both rise together as wage levels in the economy increase.

The committee's decision to raise the employer base will affect the taxes paid by employers to support the Railroad Retirement program. The Railroad Retirement Act of 1974 provides a two-tier benefit with Tier-I providing what is essentially a social security benefit financed by an employer-employee tax that is tied to the social security tax base and tax rates. Tier-II, on the other hand, is financed by a 9.5 percent tax paid by employers only and on the same earnings taxed for Tier-I. Although the Railroad Retirement program is authorized by Federal law, financed by Federal taxes and administered by a Federal agency, the present provisions came about as the direct result of industrywide negotiations between management and labor. A basic part of the agreement resulting in the Railroad Retirement Act of 1974 was that employees would pay no more for the program than other employees pay for social security and that the cost of benefits above the level provided by the social security program would be paid for by management. The committee has been advised that railroad management and labor are now conducting industrywide negotiations on such issues as wages, conditions of employment and fringe benefits including Tier-II benefits. In order not to affect in any way these negotiations, the committee bill would increase the amount of earnings subject to employer taxes only with respect to the part of the railroad retirement tax equal to the social security tax. The additional tax of 9.5 percent would continue to be applied to the maximum amount of earnings that would be taxable under the provisions of present law without regard to the increases in the tax base that would be made by the committee bill.

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

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

Years	Present law	Committee amendment
1978	\$17,700	\$17,700
1979	18,900	19,500
1980	20,400	21,000
1981	21,900	23,100
1982	23,400	24,600
1983	24,900	26,700
1984	26,400	28,200
1985	27,900	30,300

This amendment by itself would provide additional tax revenues for the program without increasing the tax burden on lower income workers. Only those workers earning in excess of the current base—some 15 percent of all covered workers—would pay higher social security taxes as a result of the increase in the base. Moreover, it permits the adoption of a lesser increase in tax rates (see below) than would otherwise be necessary to provide adequate financing.

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

TAX RATES

(Section 103 of the Bill)

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

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

Because a self-employed person gets the same protection that an employee with the same earnings gets under the program, there is a financial disadvantage to the program in covering the self-employed person, as compared to covering an employee, unless the self-employed person pays contributions at a rate as high as the combined employee-employer rate. On the other hand, though, looked at from the standpoint of an individual contributing toward his own protection, the self-employed individual could easily feel that he was being overcharged if he were required to pay social security contributions over a lifetime at the combined employee-employer rate. The self-employed rate of one and one-half times the employee rate that was established when the self-employed were first covered was a compromise between these alternatives.

The committee believes that the self-employed rate should be restored to its original level in relation to the employee rate and has included such a change in the bill. Based on the idea that protection under the HI program is the same for all workers, employees and the self-employed, the HI tax rate for the self-employed has in the past been the same rate as the employee rate. The committee would retain such treatment. The tax-rate schedule for the self-employed under present law and the committee bill is shown in table 3.

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

[In percent]

Years	OASDI		HI		Total	
	Present law	Committee bill	Present law	Committee bill	Present law	Committee bill
1977.....	7.00	7.00	0.90	0.90	7.90	7.90
1978.....	7.00	7.10	1.10	1.00	8.10	8.10
1979-80.....	7.00	7.05	1.10	1.05	8.10	8.10
1981-84.....	7.00	8.00	1.35	1.25	8.35	9.25
1985.....	7.00	8.50	1.35	1.35	8.35	9.85
1986-89.....	7.00	8.50	1.50	1.40	8.50	9.90
1990-94.....	7.00	9.15	1.50	1.40	8.50	10.55
1995-2000.....	7.00	10.05	1.50	1.40	8.50	11.45
2001-10.....	7.00	10.95	1.50	1.40	8.50	12.35
2011 and after....	7.00	11.70	1.50	1.40	8.50	13.10

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

The new schedule calls for a series of tax rate increases starting in 1979 as shown in table 4.

TABLE 4.—SOCIAL SECURITY TAX RATES ON EMPLOYER AND EMPLOYEE (EACH)

[In percent]

Taxable Years	Present law			Committee amendment		
	OASDI	HI	Total	OASDI	HI	Total
1977.....	4.95	0.90	5.85	4.95	0.90	5.85
1978.....	4.95	1.10	6.05	5.05	1.00	6.05
1979-80.....	4.95	1.10	6.05	5.085	1.05	6.135
1981-84.....	4.95	1.35	6.30	5.35	1.25	6.60
1985.....	4.95	1.35	6.30	5.65	1.35	7.00
1986-89.....	4.95	1.50	6.45	5.65	1.40	7.05
1990-94.....	4.95	1.50	6.45	6.10	1.40	7.50
1995-2000.....	4.95	1.50	6.45	6.70	1.40	8.10
2001-10.....	4.95	1.50	6.45	7.30	1.40	8.70
2011 and after....	5.95	1.50	7.45	7.80	1.40	9.20

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

TABLE 5.—ALLOCATION TO DISABILITY INSURANCE TRUST FUND

[In percent]

Calendar year	Employer and employee each		Self-employed rate	
	Present law	Committee bill	Present law	Committee bill
1977.....	0.575	0.575	0.815	0.815
1978.....	.600	.775	.850	1.090
1979-80.....	.600	.750	.850	1.040
1981-84.....	.650	.825	.920	1.2375
1985.....	.650	.950	.920	1.425
1986-89.....	.700	.950	.990	1.425
1990-94.....	.700	1.050	.990	1.575
1995-2000.....	.700	1.200	.990	1.800
2001-10.....	.700	1.350	.990	2.025
2011 and after....	.850	1.500	1.000	2.250

PAYMENT TO NONPROFIT AND GOVERNMENTAL EMPLOYERS

(Section 106 of the Bill)

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

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

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

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

DECOUPLING AND WAGE-INDEXED BENEFITS

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

Automatic cost-of-living increases.—Existing law calls for automatic cost-of-living increases in benefits effective each June and for increases in the tax base (based on changes in wage levels) each January (assuming that the Consumer Price Index rises by at least 3 percent). Each benefit increase is put into effect by a revision of the table in the law. Thus, each increase applies not only to people entitled to benefits for the month the increase is effective but also to everyone who will become entitled to benefits in the future. For example, because of the rise in the CPI between the first quarter of 1976 and the first quarter of 1977, benefits for June 1977 were increased by 5.9 percent. As a result, each of the percentages in the benefit formula was increased by 5.9 percent. A further expansion of the table will take place in January when the maximum amount of earnings taxable rises to \$17,700. Much of the estimated long-term deficit results from the fact that these modifications in the benefit formula apply to benefits which will be awarded in the future as well as to the benefits paid to people on the benefit rolls on the effective date.

Relationship between benefit formula and the deficit.—The automatic “cost-of-living” benefit increase mechanism incorporated into the social security program by the 1972 amendments, which had been recommended as a way to make benefits inflation proof, operates exactly as intended for persons on the benefit rolls. Once the initial benefit has been established, it is periodically increased by a percentage which restores its original purchasing power according to the official governmental index of purchasing power—the Consumer Price Index. The committee bill proposes no change in this concept.

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

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

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

The starting point for most proposals for dealing with the current long-term deficit of the social security system is a concept called “decoupling.” Decoupling means that the automatic benefit increase mechanism in present law would continue to apply to keep benefits inflation proof after a person retires and begins to draw his benefits but the formula for determining benefits at the time of retirement would no longer be automatically increased. If the system were simply decoupled with no other changes, an individual retiring in 1987 would get the same initial benefit as a man or woman with the same average earnings retiring in 1977. The level of initial benefits would tend to grow in the future but only as a result of rising wage levels which, using the same benefit formula, would tend to generate higher

benefits. However, the rise in actual benefits awarded in the future would not be enough to keep pace with the anticipated rise in wage levels or to offset the expected rise in the CPI.

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

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

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

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

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

¹ While it would seem reasonable to update earnings through the first year before the year one reaches retirement age, the Social Security Administration informed the committee that data on actual wage growth will not be available in time to allow for such current indexing. For 1978 and subsequent years, the law provides that earnings will be reported on an annual rather than a quarterly basis. Thus, for example, data on average wage levels in 1980 will not become available until late in 1981—too late for indexing earnings of workers who reach age 62, become disabled, or die in 1981; 1979 would be the indexing year for such workers.

TABLE 6.—BENEFITS, REPLACEMENT RATES AND EXPENDITURES UNDER PRESENT PROGRAM 1955-2050

[In percent]

Year	Worker with average earnings ¹		Replacement rate for worker with—		Aggregate OASDI expenditures	
	Annual benefit in 1977 prices	Replacement rate	Low earnings ²	High earnings ³	As percent of payroll	As percent of GNP ⁴
1955..	\$2,141	31	45	31	3.34	1.3
1960..	2,493	33	45	30	5.89	2.3
1965..	2,665	32	43	33	7.93	2.8
1970..	2,987	34	46	29	8.12	3.4
1975..	3,619	43	56	30	10.65	4.6
1979..	4,444	46	58	35	10.85	4.5
1985..	5,354	48	60	34	11.56	4.8
1990..	5,871	49	63	36	12.39	5.1
1995..	6,476	49	66	37	13.13	5.4
2000..	7,406	52	75	39	13.92	5.7
2010..	9,489	56	84	42	16.57	6.8
2020..	11,916	60	91	44	21.64	8.9
2030..	14,765	63	96	46	26.02	10.7
2040..	18,122	65	101	47	26.67	11.0
2050..	22,088	67	106	48	26.93	11.1

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

¹ Assumed to be 4 times the average 1st quarter covered earnings.

² Assumed at \$4,600 in 1976 and following the trends of the average.

³ Assumed at the maximum taxable under the program.

⁴ For 1979 and later, based on full employment and assuming taxable payroll equals 41.1 percent of GNP.

Note: The estimates in this table are based on the economic and demographic assumptions used in the intermediate cost estimates (alternative II) in the 1977 OASDI Trustees Report. The replacement rates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 65 with the earnings in the year immediately prior to retirement.

TABLE 7.—BENEFITS, REPLACEMENT RATES, AND EXPENDITURES UNDER COMMITTEE BILL, 1979-2050

[In percent]

Year	Worker with average earnings ¹		Replacement rate for worker with—		Aggregate OASDI expenditures	
	Annual benefit in 1977 prices	Replacement rate	Low earnings ²	High earnings ³	As percent of payroll	As percent of GNP ⁴
1979..	\$4,444	46	58	35	10.29	4.2
1985..	4,713	43	54	30	10.56	4.3
1990..	5,145	43	55	29	10.84	4.4
1995..	5,581	43	54	30	11.29	4.5
2000..	6,068	43	54	31	11.68	4.6
2010..	7,172	43	54	32	12.88	5.0
2020..	8,472	43	54	32	15.72	6.1
2030..	10,011	43	54	32	17.86	7.0
2040..	11,830	43	54	32	17.36	6.8
2050..	13,978	43	54	32	16.81	6.6

	Percent
Average medium-range cost (1977-2001).....	10.93
Average medium-range revenue.....	11.83
Average medium-range balance.....	+ .90
Average long-range cost (1977-2051).....	14.16
Average long-range revenue.....	14.22
Average long-range balance.....	+ .06

¹ Assumed to be 4 times the average 1st quarter covered earnings.

² Assumed at \$4,600 in 1976 and following the trends of the average.

³ Assumed at the maximum taxable under the program.

⁴ Based on full employment and assuming taxable payroll equals 41.1 percent of GNP.

⁵ Based on the present law benefit formula for all workers attaining age 62 before Jan. 1, 1979.

Note: The estimates in this table are based on the economic and demographic assumptions used in the intermediate cost estimates (alternative II) in the 1977 OASDI Trustees Report. The replacement rates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 65 with the earnings in the year immediately prior to retirement.

Earnings would be indexed by multiplying the actual earnings by the ratio of average wages in the second year before an individual reaches age 62, becomes disabled, or dies to the average wages in the year being updated. For example, if an individual earned \$3,000 in 1956, and retired at age 62 in 1979, the \$3,000 would be multiplied by the ratio of average annual wages in 1977 (estimated to be \$10,002) to average wages in 1956 (\$3,514), as follows:

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

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

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

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

Base year for indexing.—The committee's bill would index earnings in retirement cases through the second year before age 62 (the age of first eligibility) rather than to retirement (when an individual is first entitled to benefits). Because the indexing point is based solely on the date of birth rather than on the year retirement benefits are elected, people would be assured that their age-62 benefit would not decline if average wages declined and that it would rise should the Consumer Price Index rise. If wages were indexed to the date of retirement instead of to age 62, the worker's benefit amount could decline after the date he could first have been eligible if average wages decline.

Computation period.—The committee bill, like present law, would provide that benefits generally would be based on earnings averaged over the number of years after 1950 (or age 21, if later) up to the year an individual reaches age 62, becomes disabled, or dies, whichever occurs first (excluding 5 years of lowest earnings). The number of years in the computation period would expand over time—for example, for an individual reaching age 62 in 1979, the computation period would be 23 years, and eventually, for individuals reaching age 62 in 1991 or later, the computation period would be 35 years.

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

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

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

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

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

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

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

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

² The amount on which all benefits are based.

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

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

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

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

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

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

Special rules would apply in the case of earnings after age 61 during the transitional period. People who are eligible for benefits under the transitional guarantee (because they reached age 62 in the period from 1979 through 1983) could have earnings after age 61 included only under the wage-indexing computation. Earnings after age 61, however, could not be included in the computation of guaranteed benefits under the transitional provision.

Those age 62 or disabled before 1979 would continue to have their benefits computed and recomputed under the provisions of present law even if they work in covered employment after 1978.

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

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

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

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

B. OTHER PROVISIONS

THE RETIREMENT TEST

(Section 121 of the Bill)

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

The committee considered these various concepts and determined that the better course would be to continue the program, as currently conceived, in the income replacement tradition. The committee notes that in the first year an annuity program would cost some \$6 to \$7 billion if payments were to be made to all beneficiaries, regardless of

age. While this cost could be substantially reduced by making benefits available as an annuity only at age 65, the committee believes it is preferable to continue the practice of making the same retirement test applicable to all persons under age 72.

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

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

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

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

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

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

INCREASED BENEFITS FOR CERTAIN SPOUSES

(Section 122 of the Bill)

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

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

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

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

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

OFFSET OF BENEFITS OF SPOUSES RECEIVING PUBLIC PENSIONS

(Section 123 of the Bill)

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

fits, receive their dependent spouses' benefits in full, regardless of their dependency on the worker. This results in "windfall" benefits to some retired government employees.

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

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

Costs and number of people affected.—About 85,000 people would be affected by the provision during the first year. The provision is estimated to save \$190 million in 1979.

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

ELIMINATION OF CERTAIN DUAL TAXATION PROVISIONS

(Section 124 of the Bill)

The committee bill contains provision for limiting employer social security and unemployment insurance tax liability in certain instances of concurrent employment of workers by related corporations. Present law requires each employer to pay social security and unemployment insurance taxes on the wages an employee receives because of his employment by that employer, up to the taxable earnings base (\$16,500 for social security purposes and \$4,200 for unemployment insurance purposes in 1977). If an employee has covered wages from more than one employer, each employer is liable for employer social security (and unemployment) tax on wages up to the maximum amount of earnings

taxable for the year. In the case of concurrent employment by two or more related corporations, each of the employing corporations is liable for social security (and unemployment) taxes on that part of the worker's wages attributable to services performed for each employer. Thus, in such cases of concurrent employment involving high-paid workers, two or more employers may be liable for employer taxes on an employee's wages up to the taxable maximum, even though only one of the employers actually paid the employee's total wages.

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

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

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

RETROACTIVE PAYMENT OF REDUCED BENEFITS

(Section 125 of the Bill)

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

The committee was informed that the present retroactive payment provisions permit the payment of a windfall benefit in certain cases where an individual learns at the time he files for benefits that he could

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

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

Under present law, the applicant-beneficiary who is eligible for reduced benefits may be faced with options that are unclear and misleading to him, and which could make it difficult for him to decide whether or not to elect reduced benefits. For example, if a worker's monthly benefit amount were \$160 as of the month he attained age 65 and filed an application, he could get a lump-sum payment of \$1,792.80 if he elected to have his monthly benefits reduced by \$10.60 to \$149.40.

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

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

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

DELIVERY OF SOCIAL SECURITY AND SSI CHECKS

(Section 126 of the Bill)

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

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

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

BENEFIT INCREASES AS APPLIED TO REDUCED BENEFITS

(Section 127 of the Bill)

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

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

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

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

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

TOTALIZATION AGREEMENTS

(Section 128 of the Bill)

There is at present no authority in the Social Security Act authorizing the President to enter into agreements (totalization agreements) with other countries to provide for coordination between social security systems. Lack of coordination with the systems of other countries has two disadvantages.

First, the work of U.S. citizens employed by U.S. employers in foreign countries is subject to the social security taxes of the United States and is also subject to the social security taxes of the foreign country. The tax payments to foreign systems may be higher than in the United States and American workers generally get little or no return for the taxes they and their employers pay to the foreign systems because social security eligibility requirements are usually stricter under foreign systems.

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

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

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

Totalization agreements (which are common among European countries) are considered to have an advantage over other approaches to coordination in that the agreements are designed to allow each cooperating country to carry out its responsibilities virtually independently. The countries exchange information on covered earnings and earnings

credits and provide other administrative assistance, but otherwise each country makes its determinations and computations independently and pays benefits directly, without any need for an interchange of funds or balancing of amounts paid as benefits.

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

EMPLOYEES OF CERTAIN NONPROFIT ORGANIZATIONS

(Section 129 of the Bill)

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

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

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

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

and liability on the part of the employer for the payment of both employer and employee taxes due for the retroactive period.

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

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

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

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

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

Those organizations that received refunds or credits of taxes after September 8, 1976, would, under the provision of the committee bill, be treated the same as those organizations that had ceased paying social security taxes. Thus, such organizations would not be liable for taxes on their employees' services prior to June 30, 1977, for which they received refunds. However, no social security credits would be given to employees for services rendered during the period for which social security taxes would be forgiven by the bill, but a worker for whom taxes were paid in the past may file a claim by April 15, 1980, to have the taxes for the nonpayment period paid and receive social security credit for such period.

The bill would also extend until December 31, 1977, the period during which those organizations that had received a refund or credit of social security taxes could file an actual waiver certificate to cover their employees under social security. Under Public Law 94-653, this period expired on April 18, 1977.

SPECIAL HEW STUDIES

(Section 201 of the Bill)

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

Study of spouse's benefits.—The social security benefit structure is designed to provide income replacement not only for the insured worker but also to provide additional benefits when that worker has a dependent spouse (and/or dependent children). The benefit structure was designed during a period when it was considered reasonable to assume that a wife would largely be dependent upon her husband's income. Today, a far greater proportion of married women have a substantial involvement in the work force. At the same time, however, it remains true that many women do not have a separate income. In addition, increasing attention is being paid today to the appropriateness of laws which treat, or appear to treat, men and women differently, and some such provisions in the Social Security Act have been successfully challenged on this basis in the courts. The committee believes that it will quite likely find it necessary to consider legislation dealing with these questions in the near future and the consideration of such legislation will be greatly aided if the Department undertakes now a thoughtful analysis of these issues which could be available when the committee considers these issues. For this reason, the committee bill requires the Department to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouses' benefits and on proposals related to equal treatment of men and women under the social security program. Elements to be considered in the study include the nature and extent of women's participation in the labor force, the divorce rate, and the economic value of women's work in the home. In conducting this study, the Department would be directed to consult with the Justice Department Task Force on Sex Discrimination.

Study of consumer price index.—In the past few years, the automatic benefit adjustment provisions in the social security law have used the Consumer Price Index as a benchmark for adjusting the benefit formula as it applies both to persons already on the benefit rolls and as it applies to determining the initial benefit amount for new retirees. Under the revised benefit adjustment provisions of the committee bill, the Consumer Price Index will in the future be used solely as a mechanism for keeping benefits inflation proof once an individual is on the rolls. While the Consumer Price Index is the usually accepted measure of the rate of inflation, it is constructed in such a manner as to reflect the impact of rising prices on specific population groups. Some concern has been expressed for several years over the possibility that consumption patterns of elderly persons may differ so greatly from those groups covered by the CPI survey as to make the Consumer Price Index an inappropriate measure of the impact of inflation on the purchasing power of social security benefits. The committee believes that this is an issue which ought to be resolved and has included in the bill a requirement that the Department of Labor, in consultation with HEW, study the need to develop a special consumer price index for the elderly.

PERMANENT STATUS FOR TEMPORARY ADMINISTRATIVE LAW JUDGES

(Section 202 of the Bill)

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

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

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

To correct this situation, the bill would provide that the hearing officers appointed under section 1631(d)(2) of the Social Security Act (as in effect prior to January 2, 1976) to hold hearings under the supplemental security income program who had been deemed to be

appointed under and governed by the provisions of the Administrative Procedure Act of Public Law 94-202, shall be appointed to career-absolute ALJ positions as if they had been appointed under the Administrative Procedure Act, section 3105 of title 5, United States Code. They would have the same authority and tenure as hearing examiners appointed directly under section 3105 and be compensated at the same rate as social security ALJ's (GS-15). All provisions of the Administrative Procedure Act shall apply to them in the same manner as they apply to other administrative law judges. The former temporary black lung ALJ's who were appointed as temporary ALJ's under the authority of Public Law 94-202 are fully covered by this provision.

DELAY IN REPORTING DATE FOR SOCIAL SECURITY ADVISORY COUNCIL

(Section 203 of the Bill)

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

C. PUBLIC ASSISTANCE AMENDMENTS

FISCAL RELIEF FOR STATE AND LOCAL WELFARE COSTS

(Section 301 of the Bill)

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

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

These statistics testify to the burden of the major welfare programs on State and local governments, a burden which has reached disturbing proportions, especially in certain areas of the country. The table below shows the distribution of expenditures for AFDC payments for each State:

AID TO FAMILIES WITH DEPENDENT CHILDREN (AFDC), TOTAL MAINTENANCE ASSISTANCE PAYMENTS, FISCAL YEAR 1976

State	Total payments computable for Federal funding	Federal funds (unadjusted)	Local funds	State funds	Percentage		
					Federal funds	Local funds	State funds
Alabama.....	\$61,864,423	\$46,923,718		\$14,940,705	75.8	0	24.2
Alaska.....	13,457,182	6,623,664		6,833,518	49.2	0	50.8
Arizona.....	33,977,273	18,895,181		15,082,092	55.6	0	44.4
Arkansas.....	50,159,256	37,418,805		12,740,451	74.6	0	25.4
California.....	1,424,692,553	712,346,276	\$253,580,487	458,765,790	50.0	17.8	32.2
Colorado.....	83,227,441	45,517,087	16,700,968	21,009,386	54.7	20.1	25.2
Connecticut.....	131,786,271	65,893,135		65,893,136	50.0	0	50.0
Delaware.....	23,649,023	11,824,511		11,824,512	50.0	0	50.0
District of Columbia.....	91,865,652	45,932,825		45,932,827	50.0	0	50.0
Florida.....	120,436,323	68,315,478		52,120,845	56.7	0	43.3
Georgia.....	122,679,985	90,120,035		32,559,950	73.5	0	26.5
Guam ¹	1,511,650	755,825		755,825	50.0	0	50.0
Hawaii.....	64,632,077	32,316,039		32,316,038	50.0	0	50.0
Idaho.....	19,796,706	13,497,394		6,299,312	68.2	0	31.8
Illinois.....	720,065,139	358,715,572		361,349,567	49.8	0	50.2
Indiana.....	115,583,003	66,425,552	20,351,153	28,806,298	57.5	17.6	24.9
Iowa.....	98,783,931	56,435,260		42,348,671	57.1	0	42.9
Kansas.....	67,602,756	36,519,009		31,083,747	54.0	0	46.0
Kentucky.....	132,730,945	94,730,076		38,000,869	71.4	0	28.6
Louisiana.....	98,429,037	71,272,467		27,156,570	72.4	0	27.6
Maine.....	46,662,236	32,943,539		13,718,697	70.6	0	29.4
Maryland.....	154,441,383	77,220,692	4,413,052	72,807,639	50.0	2.9	47.1
Massachusetts.....	415,121,135	207,560,568		207,560,567	50.0	0	50.0
Michigan.....	746,719,100	373,359,550		373,359,550	50.0	0	50.0
Minnesota.....	156,149,764	88,757,624	29,087,774	38,304,366	56.9	18.6	24.5
Mississippi.....	32,017,662	26,504,646		5,513,016	82.8	0	17.2
Missouri.....	140,017,934	85,774,453		54,243,481	61.3	0	38.7

Montana.....	12,786,884	8,082,589	1,008,552	3,695,743	63.2	7.9	28.9
Nebraska.....	28,780,341	15,998,096		12,782,245	55.6	0	44.4
Nevada.....	10,317,578	5,158,789		5,158,789	50.0	0	50.0
New Hampshire.....	23,673,490	14,270,380	6,700	9,396,410	60.2		39.7
New Jersey.....	426,793,857	213,396,928	52,226,857	161,170,072	50.0	12.2	37.8
New Mexico.....	32,125,612	23,544,860		8,580,752	73.3	0	26.7
New York.....	1,563,184,768	766,768,978	428,746,351	367,669,439	49.1	27.4	23.5
North Carolina.....	123,889,145	84,281,786	19,711,194	19,896,165	68.0	16.0	16.0
North Dakota.....	13,122,019	7,556,970	1,044,992	4,520,057	57.6	8.0	34.4
Ohio.....	446,319,654	242,753,261		203,566,393	54.4	0	45.6
Oklahoma.....	65,506,367	44,164,394		21,341,973	67.4	0	32.6
Oregon.....	113,521,471	67,023,078	1,165	46,497,228	59.0		41.0
Pennsylvania.....	650,945,260	360,558,579		290,386,681	55.4	0	44.6
Puerto Rico.....	24,171,922	12,085,960		12,085,962	50.0	0	50.0
Rhode Island.....	51,270,478	28,993,455		22,277,023	56.5	0	43.5
South Carolina.....	46,352,487	35,670,249		10,682,238	77.0	0	23.0
South Dakota.....	20,140,672	13,540,573		6,600,099	67.2	0	32.8
Tennessee.....	85,756,646	62,722,396		23,034,250	73.1	0	26.9
Texas.....	137,686,030	100,157,072		37,528,958	72.7	0	27.3
Utah.....	35,237,274	24,680,187		10,557,087	70.0	0	30.0
Vermont.....	26,538,100	18,528,902		8,009,198	70.0	0	30.0
Virgin Islands.....	1,849,649	924,824		924,825	50.0	0	50.0
Virginia.....	138,678,345	80,904,947	1,462,344	56,311,054	58.3	1.1	40.6
Washington.....	160,546,774	86,245,728		74,301,046	53.7	0	46.3
West Virginia.....	52,466,290	37,671,723		14,794,567	71.8	0	28.2
Wisconsin.....	210,875,774	126,335,680		84,540,094	59.9	0	40.1
Wyoming.....	4,900,181	2,986,169	684,505	1,229,507	60.9	14.0	25.1
Total.....	9,675,496,908	5,257,605,534	829,026,094	3,588,865,280	54.3	8.6	37.1

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

Source: Office of Financial Management. Division of Finance. Fiscal year 1976 State expenditures for public assistance programs approved under titles I, IV-A, X, IV, XVI, XIX, XX of the Social Security Act. (SRS) 77-04023. This report is compiled from State expenditure reports submitted quarterly by States.

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

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

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

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

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

The table below shows how the fiscal relief payment under the bill would be distributed among the States:

FISCAL RELIEF FOR STATES UNDER COMMITTEE BILL

[Dollars in thousands]

State	Percentage distribution	State fiscal relief payment November 1977
Alabama.....	1.2	\$4,663
Alaska.....	.2	791
Arizona.....	.7	2,795
Arkansas.....	.7	2,930
California.....	13.5	54,001
Colorado.....	1.0	3,787
Connecticut.....	1.3	5,282
Delaware.....	.3	1,118
District of Columbia.....	.6	2,578
Florida.....	2.1	8,452
Georgia.....	1.6	6,284
Guam.....	(*)	101
Hawaii.....	.6	2,434
Idaho.....	.3	1,094
Illinois.....	6.2	24,854
Indiana.....	1.6	6,495
Iowa.....	.1	4,167
Kansas.....	.8	3,204
Kentucky.....	1.5	6,086
Louisiana.....	1.6	6,409
Maine.....	.5	2,099
Maryland.....	1.8	6,994
Massachusetts.....	3.8	15,341
Michigan.....	5.6	22,506
Minnesota.....	1.7	6,890
Mississippi.....	.9	3,499
Missouri.....	1.7	6,695
Montana.....	.2	955
Nebraska.....	.4	1,758
Nevada.....	.2	665
New Hampshire.....	.3	1,046
New Jersey.....	3.7	14,868
New Mexico.....	.5	1,971
New York.....	14.2	56,600
North Carolina.....	1.9	7,493

See footnotes at end of table.

FISCAL RELIEF FOR STATES UNDER COMMITTEE BILL—Con.

[Dollars in thousands]

State	Percentage distribution	State fiscal relief payment November 1977
North Dakota.....	.2	704
Ohio.....	4.2	16,689
Oklahoma.....	.9	3,694
Oregon.....	1.2	4,746
Pennsylvania.....	6.0	24,044
Puerto Rico.....	.2	962
Rhode Island.....	.5	1,936
South Carolina.....	.9	3,564
South Dakota.....	.2	976
Tennessee.....	1.3	5,294
Texas.....	3.1	12,438
Utah.....	.5	1,848
Vermont.....	.3	1,033
Virgin Islands.....	(*)	70
Virginia.....	1.7	6,789
Washington.....	1.5	5,834
West Virginia.....	.7	2,856
Wisconsin.....	2.3	9,169
Wyoming.....	.1	466
Total.....	100.0	400,000

*Less than .05 percent.

QUALITY CONTROL INCENTIVES TO REDUCE ERRORS

(Section 302 of the Bill)

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

and the quality control program underwent major revision again in 1970. Basic changes made at that time included the use of field investigations, requirements on States for reporting of results, the establishment of acceptable error levels, and implementation of corrective actions.

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

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

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

AFDC—CHANGE IN PAYMENT ERROR RATES, JULY TO DECEMBER 1976 OVER APRIL TO SEPTEMBER 1973 ¹

State	Amount of payment errors as a percent of total payments											
	Ineligible and eligible overpaid			Ineligible			Eligible but overpaid			Eligible but underpaid		
	April to Septem- ber 1973	July to Decem- ber 1976	Percent change	April to Septem- ber 1973	July to Decem- ber 1976	Percent change	April to Septem- ber 1973	July to Decem- ber 1976	Percent change	April to Septem- ber 1973	July to Decem- ber 1976	Percent change
U.S. average ² . . .	16.5	8.5	-48.5	9.1	4.6	-49.5	7.4	3.9	-47.3	1.5	.9	-40.0
Alabama	15.1	6.0	-60.3	9.6	2.9	-69.8	5.5	3.1	-43.6	6.5	1.4	-78.5
Alaska	23.1	12.5	-45.9	15.9	9.3	-41.5	6.4	3.2	-50.0	.9	.8	-11.1
Arizona	15.3	12.4	-19.0	7.5	8.2	+9.3	7.7	4.2	-45.5	1.5	1.2	-20.0
Arkansas	3.6	7.3	+102.8	1.8	3.2	+77.8	1.8	4.1	+127.8	1.9	2.2	+15.8
California	12.3	4.7	-61.8	6.9	2.2	-68.1	5.4	2.5	-53.7	1.4	.8	-42.9
Colorado	7.3	7.5	+2.7	2.3	4.1	+78.3	5.1	3.3	-35.3	1.3	.4	-69.2
Connecticut	10.8	7.6	-29.6	5.6	4.4	-21.4	5.2	3.2	-38.5	1.1	.6	-45.5
Delaware	19.6	9.5	-51.5	9.9	6.5	-34.3	9.7	3.0	-69.1	1.5	2.8	+86.7
District of Columbia	18.0	19.8	+10.0	9.8	12.7	+29.6	8.2	7.1	-13.4	.4	1.1	+175.0
Florida	18.8	7.0	-62.8	7.9	3.8	-51.9	10.9	3.2	-70.6	2.5	.7	-72.0
Georgia	14.9	12.2	-18.1	5.1	7.6	+49.0	9.8	4.6	-53.1	2.8	1.1	-60.7
Hawaii	11.2	9.4	-16.1	4.6	5.9	+28.3	6.7	3.5	-47.8	1.3	.6	-53.8
Idaho	9.9	3.8	-61.6	6.3	.4	-93.7	3.6	3.4	-5.6	.3	.9	+200.0
Illinois	22.4	12.1	-46.0	10.9	5.2	-52.3	11.5	6.9	-40.0	1.3	.7	-46.2
Indiana	13.2	2.3	-82.6	7.1	.7	-90.1	6.0	1.6	-73.3	1.0	.2	-80.0
Iowa	15.7	11.0	-29.9	8.3	6.2	-25.3	7.3	4.7	-35.6	1.7	.6	-64.7
Kansas	15.3	5.6	-63.4	8.5	2.6	-69.4	6.7	3.0	-55.2	1.7	.6	-64.7
Kentucky	18.3	6.2	-66.1	7.9	3.2	-59.5	10.4	3.0	-71.2	1.1	.5	-54.5
Louisiana	21.2	8.5	-59.9	13.6	5.0	-63.2	7.6	3.6	-52.6	1.1	.5	-54.5
Maine	7.1	11.6	+63.4	4.1	5.8	+41.5	3.0	5.8	+93.3	.5	.7	+40.0
Maryland	23.0	11.5	-50.0	13.1	6.6	-49.6	9.9	4.8	-51.5	2.0	1.2	-40.0
Massachusetts	15.9	12.0	-24.5	8.5	7.6	-10.6	7.4	4.4	-40.5	.9	.6	-33.3
Michigan	11.4	9.2	-19.3	5.9	4.3	-27.1	5.4	4.8	-11.1	.7	.8	+14.3

Minnesota.....	9.4	5.8	-38.3	5.0	3.4	-32.0	4.4	2.4	-45.5	1.4	.3	-78.6
Mississippi.....	5.2	9.2	+76.9	2.0	4.6	+130.0	3.2	4.6	+43.7	1.9	2.2	+15.8
Missouri.....	12.3	10.5	-14.6	6.8	7.1	+4.4	5.5	3.4	-38.2	1.4	1.2	-14.3
Montana.....	16.9	13.3	-21.3	7.8	3.9	-50.0	9.0	9.4	+4.4	1.4	2.2	+57.1
Nebraska.....	8.6	6.9	-19.8	5.4	3.4	-37.0	3.2	3.5	+9.4	(*)	1.4	(*)
Nevada.....	3.5	.5	-85.7	1.5	.....	-100.0	2.0	.5	-75.0	.9	.1	-88.9
New Hampshire.....	21.4	8.5	-60.3	10.0	4.0	-60.0	11.4	4.6	-59.6	1.3	.6	-53.8
New Jersey.....	9.4	5.4	-42.6	4.0	2.0	-50.0	5.4	3.4	-37.0	.9	.7	-22.2
New Mexico.....	6.5	5.4	-16.9	2.5	3.4	+36.0	4.0	2.0	-50.0	1.2	.7	-41.7
New York.....	26.5	12.1	-54.3	16.4	7.2	-56.1	10.1	4.9	-51.5	1.6	1.1	-31.3
North Carolina.....	13.2	6.7	-49.2	6.6	2.6	-60.6	6.5	4.0	-38.5	3.9	1.5	-61.5
North Dakota.....	2.1	3.4	+61.9	.....	1.7	(*)	2.1	1.7	-19.0	.7	.2	-71.4
Ohio.....	21.7	11.3	-47.9	11.5	7.3	-36.5	10.2	4.0	-60.8	1.0	.5	-50.0
Oklahoma.....	8.1	3.1	-61.7	3.0	1.0	-66.7	5.1	2.1	-58.8	.6	.4	-33.3
Oregon.....	10.5	7.9	-24.8	6.0	3.6	-40.0	4.5	4.3	-4.4	.7	.6	-14.3
Pennsylvania.....	24.6	9.3	-62.2	16.4	5.4	-67.1	8.2	3.9	-52.4	1.0	.5	-50.0
Puerto Rico.....	22.9	8.9	-61.1	14.6	3.8	-74.0	8.4	5.1	-39.3	2.7	2.0	-25.9
Rhode Island.....	10.7	3.8	-64.5	4.1	1.6	-61.0	6.6	2.3	-65.2	.4	.5	+25.0
South Carolina.....	17.3	8.5	-50.9	8.7	3.3	-62.1	8.6	5.2	-39.5	2.5	1.7	-32.0
South Dakota.....	7.7	5.3	-31.2	2.3	2.1	-8.7	5.4	3.2	-40.7	.3	.9	+200.0
Tennessee.....	12.9	8.6	-33.3	8.2	4.9	-40.2	4.7	3.7	-21.3	1.9	1.1	-42.1
Texas.....	15.2	5.4	-64.5	8.7	3.4	-60.9	6.5	2.1	-67.7	1.1	.4	-63.6
Utah.....	9.4	8.1	-13.8	6.0	5.1	-15.0	3.4	3.0	-11.8	.9	.6	-33.3
Vermont.....	17.9	6.7	-62.6	10.0	1.4	-86.0	7.8	5.3	-32.1	.7	.2	-71.4
Virgin Islands.....	9.4	16.4	+74.5	4.2	11.4	+171.4	5.2	5.0	-3.8	1.7	2.9	+70.6
Virginia.....	14.9	6.4	-57.0	5.3	3.6	-32.1	9.6	2.8	-70.8	2.7	1.4	-48.1
Washington.....	8.0	5.4	-32.5	5.2	2.6	-50.0	2.8	2.8	.....	.4	.5	+25.0
West Virginia.....	10.2	4.9	-52.0	6.4	1.9	-70.3	3.8	3.0	-21.1	.9	.3	-66.7
Wisconsin.....	7.3	3.9	-46.6	4.2	2.1	-50.0	3.1	1.8	-41.9	1.5	1.1	-26.7
Wyoming.....	11.3	4.0	-64.6	7.4	1.8	-75.7	3.9	2.2	-43.6	1.9	1.0	-47.4

† See footnote 1, table 11.
 ‡ See footnote 2, table 11.
 * Less than 0.05 percent.

† See footnote 3, table 11.

Source: U.S. Department of Health, Education, and Welfare.

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

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

	The State would retain this percent of the Federal savings
If the error rate is:	
At least 3.5 percent but less than 4 percent.....	10
At least 3 percent but less than 3.5 percent.....	20
At least 2.5 percent but less than 3 percent.....	30
At least 2 percent but less than 2.5 percent.....	40
Less than 2 percent.....	50

ACCESS TO WAGE INFORMATION FOR AFDC VERIFICATION

(Section 303 of the Bill)

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

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

Although the records of wages maintained by the Social Security Administration and by State employment security agencies may not be available on a current basis, it seems inevitable that a procedure for screening against one or the other of these two sets of records should greatly increase the incentive for recipients to accurately report their earned income. Where welfare agencies are requesting the wage data from the Social Security Administration, each State or local administering agency would designate a single official who would be authorized to make the necessary request for information. Alternatively, procedures for requesting such information could be worked out by mutual agreement of the welfare agency and the Social Security Administration. The cost of searching wage records would be reimbursed to the agency maintaining the records and would be matchable as an administrative expense of the welfare agency.

**AUTHORITY FOR STATES TO OPERATE DEMONSTRATION PROJECTS
MAKING EMPLOYMENT MORE ATTRACTIVE FOR WELFARE RE-
CIPIENTS**

(Section 304 of the Bill)

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

Committee provision.—Under the committee amendment, which is similar in intent to an amendment reported by the committee and approved by the Senate in 1973 (section 164 of H.R. 3153, 93d Congress), this authority would be both broadened and made more explicit to emphasize a major objective for demonstration projects. This objective is to permit States to achieve more efficient and effective use of funds for public assistance recipients, to reduce dependency, and to improve the living conditions and increase the incomes of persons who are on assistance (or who would be on assistance if they were not participating in the demonstration project) by conducting experiments designed to make employment more attractive for welfare recipients.

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

In pursuing these objectives under the committee bill, States would be permitted for demonstration purposes to waive the requirements of the Aid to Families with Dependent Children program relating to (1)

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

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

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

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

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

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

EARNED INCOME DISREGARD

(Section 305 of the Bill)

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

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

2. The first \$30 earned monthly by an adult plus one-third of additional earnings. Costs related to work (such as transportation costs,

uniforms, union dues, child care and other items) are also deducted from earnings in calculating the amount of welfare benefit.

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

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

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

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

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

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

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

3. *Lunch.*—Fourteen States said they had not established a limit. Those that have, gave a range of from \$0.25 to \$1 a day.

States did not provide information to indicate what kinds of exceptions they make to their general rules, although it is known that some exceptions are made. For example, New York indicated a limit of \$50 a week for child care. However, higher amounts are generally allowable in New York City.

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

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

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

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

Present law:

\$500 is reduced by:	Amount
Basic disregard.....	\$30
33½ percent of earnings above basic disregard.....	157
Child care costs.....	200
Other work expenses.....	110
Total disregard.....	497
Family is paid in AFDC:	
\$300 full payment less the \$3 of earned income which is not disregarded.....	297

Committee bill:

\$500 is reduced by:	
Basic disregard.....	60
Allowable child care ¹	150
33½ percent of the 1st \$300 of earnings above other disregards;	
20 percent of earnings above that \$300 ²	97
Total disregard.....	307
Family is paid in AFDC:	
\$300 full payment less the \$193 of earned income which is not disregarded.....	107

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

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

D. ACTUARIAL SECTION

Actuarial Soundness of the OASDHI System

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

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

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

Actuarial Cost Estimates for the OASDI System

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

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

(a) *Revised benefit formula for future retirees.*—Under the bill the cost-of-living increase provisions in present law would apply only to individuals who are eligible for benefits at the time each increase occurs. A new automatic mechanism is provided for persons retiring in the future. These people will have their benefits determined on the basis of their previous earnings after those earnings have been adjusted to reflect changes in wage levels occurring in the economy. The result will be that average benefit levels as a percent of average pre-retirement income will remain at approximately the same level as for those persons who retired at the beginning of 1976.

(b) *Increase in amount of earnings subject to employer tax.*—The committee bill would increase the base for employer taxes to \$50,000 for 1979–84. This amount would be further increased to \$75,000 in 1985 and would be held at that level until the employee taxable base catches up with it. Thereafter, it would increase automatically, as under present law, to reflect yearly increases in average wage levels.

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

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

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

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

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

[In percent]

Calendar years	Employer and employee rate, each		Self-employed rate	
	Present law	Committee bill	Present law	Committee bill ¹
1977.....	4.95	4.95	7.00	7.00
1978.....	4.95	5.05	7.00	7.10
1979–80.....	4.95	5.085	7.00	7.05
1981–84.....	4.95	5.35	7.00	8.00
1985–89.....	4.95	5.65	7.00	8.50
1990–94.....	4.95	6.10	7.00	9.15
1995–2000.....	4.95	6.70	7.00	10.05
2001–2010.....	4.95	7.30	7.00	10.95
2011 and after....	5.95	7.80	7.00	11.70

¹ Approximately 1½ times the employee rate beginning in 1981.

TABLE 9.—CONTRIBUTION RATES FOR OLD-AGE, SURVIVORS,
AND DISABILITY INSURANCE UNDER THE COMMITTEE BILL,
SUBDIVIDED BY TRUST FUND

[In percent]

Calendar years	Employer and employee rate, each			Self-employed rate		
	OASI	DI	Total	OASI	DI	Total
1977.....	4.375	0.575	4.95	6.185	0.815	7.00
1978.....	4.275	.775	5.05	6.010	1.090	7.10
1979-80.....	4.335	.750	5.085	6.010	1.040	7.05
1981-84.....	4.525	.825	5.35	6.7625	1.2375	8.00
1985-89.....	4.700	.950	5.65	7.075	1.425	8.50
1990-94.....	5.050	1.050	6.10	7.575	1.575	9.15
1995-2000.....	5.500	1.200	6.70	8.250	1.800	10.05
2001-10.....	5.950	1.350	7.30	8.925	2.025	10.95
2011 and after....	6.300	1.500	7.80	9.425	2.250	11.70

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

(f) *Modification of retirement test.*—Under present law, social security beneficiaries who are under age 72 have their benefits reduced if their earnings exceed a certain amount which is adjusted annually to reflect changes in average wage levels. This amount is \$3,000 in 1977 and is estimated to automatically increase to \$3,240 in 1978 and to \$3,480 in 1979. The bill increases these levels to \$4,500 in 1978 and to \$6,000 in 1979. After 1979, the new \$6,000 level would increase automatically as wage levels rise, as under present law. (The 1978 increase would be applicable to the entire year, but any additional benefits resulting from the change would not become payable until after September 30, 1978.)

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

plies only to the worker's own benefit. The committee bill would make the increment applicable to the benefit payable to the widow or widower of such an individual.

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

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

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

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

These long-range estimates are based on the assumption that average earnings will increase after 1982 at an annual rate of 5% percent, and that the CPI will increase at 4 percent per year.

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

TABLE 10.—CHANGES IN ACTUARIAL BALANCE OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM OVER THE MEDIUM-RANGE PERIOD (1977–2001) EXPRESSED AS PERCENT OF TAXABLE PAYROLL, BY TYPE OF CHANGE, PRESENT LAW AND THE COMMITTEE BILL

[In percent]

Item	OASI	DI	Total
Medium-range actuarial balance under present law.....	–1.45	–0.89	–2.34
Effect of decoupling.....	+1.68	+ .55	+2.23
Effect of new (wage-indexed) benefit formula.....	–1.22	–.32	–1.54
Increase in wage base for employers.....	+ .33	+ .07	+ .40
Increase in earnings base for employees and self-employed persons.....	+ .09	+ .01	+ .10
Increase in self-employed tax rate..	+ .05	+ .01	+ .06
Government pension offset for spouses' benefits.....	+ .06	+ 0	+ .06
Increase in exempt amount in retirement test.....	–.16	–0	–.16
Change in method of applying general benefit increases to actuarially reduced benefits.....	+ .13	+ 0	+ .13
Delayed retirement increment for widows and widowers and employer tax relief for affiliated corporations.....	–0	–0	–0
Eliminating retroactive payments of actuarially reduced benefits....	+ .02	+ 0	+ .02
Revised tax schedule.....	+1.31	+ .63	+1.94
Total effect of changes in bill...	+2.29	+ .96	+3.24
Medium-range actuarial balance under bill.....	+ .84	+ .06	+ .90

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

TABLE 11.—CHANGES IN ACTUARIAL BALANCE OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM OVER THE LONG-RANGE PERIOD (1977-2051) EXPRESSED AS PERCENT OF TAXABLE PAYROLL, BY TYPE OF CHANGE, PRESENT LAW, AND THE COMMITTEE BILL

[In percent]

Item	OASI	DI	Total
Long-range actuarial balance under present law.....	-6.06	-2.14	-8.20
Effect of decoupling.....	+9.63	+2.32	+11.95
Effect of new (wage-indexed) benefit formula.....	-6.18	-1.31	-7.49
Increase in wage base for employers.....	+22	+05	+27
Increase in earnings base for employees and self-employed persons.....	+05	+0	+05
Increase in self-employed tax rate..	+08	+02	+10
Government pension offset for spouses' benefits.....	+05	+0	+05
Increase in exempt amount in retirement test.....	-.17	-0	-.17
Changes in method of applying general benefit increase to actuarially reduced benefits.....	+25	+0	+25
Delayed retirement increment for widows and widowers and employer tax relief for affiliated corporations.....	-.01	-0	-.01
Eliminating retroactive payments of actuarially reduced benefits....	+01	+0	+01
Revised tax schedule.....	+2.17	+1.08	+3.25
Total effect of changes in bill...	+6.10	+2.16	+8.26
Long-range actuarial balance under bill.....	+04	+03	+06

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

These long-range estimates are based on the assumption that average earnings will increase after 1982 at an annual rate of $5\frac{3}{4}$ percent, and that the CPI will increase at 4 percent per year.

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

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

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

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

[Dollar amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during the coming year
1972.....	\$40.1	\$38.5	\$1.5	\$35.3	88
1973.....	48.3	47.2	1.2	36.5	75
1974.....	54.7	53.4	1.3	37.8	68
1975.....	59.6	60.4	-.8	37.0	63
1976.....	66.3	67.9	-1.6	35.4	54
Estimated future experience:					
1977.....	72.5	75.6	-3.1	32.3	47
1978.....	78.5	84.1	-5.5	26.8	38
1979.....	92.1	92.9	-.8	26.0	29
1980.....	101.9	101.4	.5	26.5	26
1981.....	115.2	109.7	5.4	31.9	24
1982.....	124.3	118.1	6.2	38.1	27
1983.....	133.3	126.9	6.4	44.5	30
1984.....	142.4	136.5	5.9	50.4	33
1985.....	158.8	146.7	12.1	62.5	34
1986.....	170.6	157.6	13.0	75.5	40
1987.....	182.2	169.1	13.1	88.5	45

TABLE 13.—OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND UNDER THE COMMITTEE BILL, CALENDAR YEARS 1972-87

[Dollar amounts in billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of disbursements during the coming year
1972.....	\$5.6	\$4.8	\$0.8	\$7.5	140
1973.....	6.4	6.0	.5	7.9	125
1974.....	7.4	7.2	.2	8.1	110
1975.....	8.0	8.8	-.8	7.4	92
1976.....	8.8	10.4	-1.6	5.7	71
Estimated future experience:					
1977.....	9.6	12.4	-2.4	3.3	48
1978.....	13.8	13.6	.2	3.5	24
1979.....	16.0	15.3	.7	4.2	23
1980.....	17.7	17.2	.5	4.7	24
1981.....	21.0	19.0	1.9	6.6	25
1982.....	22.8	21.0	1.8	8.4	31
1983.....	24.4	23.1	1.3	9.7	36
1984.....	26.1	25.4	.7	10.4	38
1985.....	32.0	28.0	4.0	14.4	37
1986.....	34.7	30.6	4.1	18.4	47
1987.....	37.1	33.5	3.6	22.1	55

TABLE 14.—OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE AND THE DISABILITY INSURANCE TRUST FUNDS, COMBINED, UNDER THE COMMITTEE BILL, CALENDAR YEARS 1972-87

[Dollar amounts in billions]

Calendar year	Income	Disbursements	Net increase in funds	Funds at end of year	Funds at beginning of year as a percentage of disbursements during the coming year
1972.....	\$45.6	\$43.3	\$2.3	\$42.8	93
1973.....	54.8	53.1	1.6	44.4	80
1974.....	62.1	60.6	1.5	45.9	73
1975.....	67.6	69.2	-1.5	44.3	66
1976.....	75.0	78.2	-3.2	41.1	57
Estimated future experience:					
1977.....	82.1	87.6	-5.5	35.6	47
1978.....	92.4	97.7	-5.4	30.2	36
1979.....	108.0	108.1	-1	30.1	28
1980.....	119.6	118.5	1.0	31.2	25
1981.....	136.1	128.8	7.4	38.5	24
1982.....	147.1	139.1	8.6	46.5	28
1983.....	157.7	150.0	7.7	54.2	31
1984.....	168.5	161.9	6.6	60.8	33
1985.....	190.7	174.7	16.1	76.9	35
1986.....	205.3	188.2	17.1	93.9	41
1987.....	219.3	202.6	16.7	110.0	46

3. LONG-RANGE OASDI COST ESTIMATES

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

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

[In percent]

Calendar year	Expenditures as percent of taxable payroll ¹		Total	Combined employer-employee tax rate in bill	Difference
	Old-age and survivors insurance	Disability insurance			
1977.....	9.39	1.50	10.89	9.90	-0.99
1978.....	9.39	1.53	10.92	10.10	-.82
1979.....	8.81	1.45	10.27	10.17	-.10
1980.....	8.74	1.48	10.22	10.17	-.05
1981.....	8.68	1.51	10.19	10.70	.51
1982.....	8.73	1.56	10.28	10.70	.42
1983.....	8.77	1.60	10.36	10.70	.34
1984.....	8.85	1.65	10.50	10.70	.20
1985.....	8.82	1.68	10.51	11.30	.79
1986.....	8.89	1.73	10.62	11.30	.68
1987.....	8.88	1.76	10.63	11.30	.67
1988.....	8.93	1.83	10.76	11.30	.54
1989.....	8.95	1.88	10.83	11.30	.57
1990.....	8.97	1.93	10.90	12.20	1.30
1991.....	8.99	1.98	10.97	12.20	1.23
1992.....	9.02	2.02	11.04	12.20	1.16
1993.....	9.05	2.07	11.12	12.20	1.08
1994.....	9.09	2.12	11.20	12.20	1.00
1995.....	9.12	2.17	11.29	13.40	2.11
1996.....	9.13	2.23	11.36	13.40	2.04
1997.....	9.15	2.29	11.43	13.40	1.97
1998.....	9.17	2.35	11.52	13.40	1.88
1999.....	9.19	2.41	11.60	13.40	1.80
2000.....	9.21	2.47	11.68	13.40	1.72
2001.....	9.23	2.53	11.76	14.60	2.84

See footnotes at end of table.

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

[In percent]

Calendar year	Expenditures as percent of taxable payroll ¹			Combined employer-employee tax rate in bill	Difference
	Old-age and survivors insurance	Disability insurance	Total		
2005.....	9.28	2.78	12.06	14.60	2.54
2010.....	9.86	3.02	12.88	14.60	1.72
2015.....	11.03	3.13	14.16	15.60	1.44
2020.....	12.57	3.15	15.72	15.60	-.12
2025.....	14.10	3.04	17.13	15.60	-1.53
2030.....	14.96	2.90	17.86	15.60	-2.26
2035.....	15.03	2.81	17.85	15.60	-2.25
2040.....	14.53	2.83	17.36	15.60	-1.76
2045.....	14.04	2.91	16.95	15.60	-1.35
2050.....	13.87	2.94	16.81	15.60	-1.21
2055.....	13.94	2.94	16.88	15.60	-1.28
25-yr averages:					
1977-2001.....	9.01	1.91	10.92	11.83	.90
2002-26.....	11.18	3.00	14.18	15.24	1.06
2027-51.....	14.49	2.88	17.37	15.60	-1.77
75-yr average:					
1977-2051.....	11.56	2.60	14.16	14.22	.06

¹ Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5½ percent in average wages in covered employment and 4 percent in the Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

Basic Assumptions for Cost Estimates for Old-Age, Survivors, and Disability Insurance System

1. GENERAL BASIS FOR LONG-RANGE COST ESTIMATES

The long-range estimates for the old-age, survivors, and disability insurance program presented in this report are based on the assumption that average earnings in covered employment will increase after 1982 at an annual rate of 5% percent. Similarly, the assumption has been made that the CPI will increase at an annual rate of 4 percent. Higher increases for both earnings and the CPI are assumed for the early years. These assumptions yield, over the long range, an implied increase in real earnings of 1¼ percent per year, which is based on the actual average experience of the last 25 years (estimated at about 1.7 percent per year, based on annual averages for the period 1956-76), although recent experience has been much lower (about 1.1 percent in the last 15 years and 0.5 percent in the last 10 years, based on annual averages).

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

2. MEASUREMENT OF COSTS IN RELATION TO TAXABLE PAYROLL

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

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

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

The long-range cost estimates presented in this report were prepared for a 75-year period.

TABLE 16.—ASSUMED FUTURE CHANGES RESULTING FROM AUTOMATIC-ADJUSTMENT PROVISIONS
UNDER PRESENT LAW AND UNDER THE COMMITTEE BILL

Calendar year	General benefit increase ¹ (percent)	Taxable earnings base			Annual exempt amount under the retirement test	
		Present law ²	Committee bill		Present law	Committee bill
			Employee and self-employed	Employer		
1977.....	5.9	\$16,500	\$16,500	\$16,500	\$3,000	\$3,000
1978.....	5.5	17,700	17,700	17,700	3,240	4,500
1979.....	5.2	18,900	19,500	50,000	3,480	6,000
1980.....	5.0	20,400	21,000	50,000	3,720	6,480
1981.....	4.2	21,900	23,100	50,000	3,960	6,960
1982.....	4.0	23,400	24,600	50,000	4,200	7,440
1983.....	4.0	24,900	26,700	50,000	4,440	7,920
1984.....	4.0	26,400	28,200	50,000	4,680	8,400
1985.....	4.0	³ 27,900	³ 30,300	⁴ 75,000	³ 4,920	³ 8,880

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

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

³ Increases thereafter according to increases in average wages.

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

Actuarial Cost Estimates for the Hospital Insurance Program

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

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

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

[In percent]

Calendar year	Employer, employee, and self-employed rate, each	
	Present law	Bill
1977.....	0.90	0.90
1978.....	1.10	1.00
1979-80.....	1.10	1.05
1981-84.....	1.35	1.25
1985.....	1.35	1.35
1986 and after.....	1.50	1.40

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

Estimates of the cash income and outgo and of the resulting balances in the Hospital Insurance Trust Fund are shown in table 18 for the past as well as for the next 10 calendar years.

TABLE 18.—PROGRESS OF THE SOCIAL SECURITY HOSPITAL INSURANCE TRUST FUND UNDER COMMITTEE BILL, CALENDAR YEARS 1972-87

[In billions]

Calendar year	Income	Disbursements	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of outgo during year
1972.....	\$6.4	\$6.5	-\$0.1	\$2.9	47
1973.....	10.8	7.3	3.5	6.5	40
1974.....	12.0	9.4	2.7	9.1	69
1975.....	13.0	11.6	1.4	10.5	79
1976.....	13.8	13.7	.1	10.6	77
Estimated future experience:					
1977.....	16.1	16.2	-.1	10.5	66
1978.....	19.2	19.0	.2	10.7	55
1979.....	23.4	22.2	1.2	11.9	48
1980.....	25.9	25.7	.1	12.0	46
1981.....	32.7	29.7	3.0	15.0	40
1982.....	35.4	33.9	1.5	16.5	44
1983.....	37.8	38.5	-.8	15.8	43
1984.....	40.0	43.7	-3.7	12.1	36
1985.....	45.6	49.1	-3.5	8.6	25
1986.....	50.2	54.9	-4.7	3.8	16
1987.....	53.0	61.2	-8.2	-4.3	6

3. LONG-RANGE COST ESTIMATES FOR THE HOSPITAL INSURANCE PROGRAM

The adequacy of a schedule of contribution rates to support the hospital insurance system is measured by comparing on a year-to-year basis the tax rates with the corresponding total costs of the program, expressed as percentages of taxable payroll. The total cost of the program in any year essentially is the combined employer-employee contribution rate that will be sufficient to (a) provide the benefit payments and administrative expenses for the year for insured beneficiaries and (b) build the trust fund to the level of a year's disbursements and maintain it at that level. If the tax rate and the total cost (expressed as a percentage of taxable payroll) are exactly equal in each year of the

25-year projection period and all projection assumptions are realized, tax revenues along with interest income will be sufficient to provide for benefits and administrative expenses for insured persons and to build the trust fund gradually to the level of a year's outgo by the end of the period. Financing schedules generally are designed with rate changes occurring only at intervals of several years, rather than with continual year-by-year increases to match exactly with projected cost increases. To the extent that small differences between the yearly costs of the program and the corresponding tax rates occur for short periods of time and are offset by subsequent differences in the reverse direction, adequate financing will have been provided.

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

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

Item	Percent
Actuarial balance under present law.....	-1.16
Increase in wage base for employers.....	+.07
Increase in earnings base for employees and self-employed persons.....	+.05
Revised tax schedule.....	-.18
Total effect of changes in bill.....	-.06
Actuarial balance under bill.....	-1.22

Note: Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which is described in the 1977 Report of the Board of Trustees of the Federal Hospital Insurance Trust Fund. These assumptions incorporate ultimate annual increases of 5¾ percent in average wages in covered employment and 4 percent in the Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contribution rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

TABLE 20.—ESTIMATED COST OF HOSPITAL INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL UNDER THE COMMITTEE BILL, FOR CALENDAR YEARS 1977-2001

[In percent]

Calendar year	Expenditures under the program ¹	Trust fund building and maintenance ²	Total cost of the program	Tax rate in bill ³	Difference
1977.....	1.99	0.15	2.14	1.80	-0.34
1978.....	2.11	.15	2.26	2.00	-.26
1979.....	2.10	.14	2.24	2.10	-.14
1980.....	2.22	.13	2.35	2.10	-.25
1981.....	2.36	.12	2.48	2.50	.02
1982.....	2.52	.12	2.64	2.50	-.14
1983.....	2.68	.12	2.80	2.50	-.30
1984.....	2.86	.11	2.97	2.50	-.47
1985.....	2.98	.11	3.09	2.70	-.39
1986.....	3.13	.11	3.24	2.80	-.44
1987.....	3.29	.11	3.40	2.80	-.60
1988.....	3.47	.11	3.58	2.80	-.78
1989.....	3.67	.10	3.77	2.80	-.97
1990.....	3.84	.10	3.94	2.80	-1.14
1991.....	4.02	.10	4.12	2.80	-1.32
1992.....	4.20	.10	4.30	2.80	-1.50
1993.....	4.38	.10	4.48	2.80	-1.68
1994.....	4.57	.10	4.67	2.80	-1.87
1995.....	4.75	.09	4.84	2.80	-2.04
1996.....	4.92	.09	5.01	2.80	-2.21
1997.....	5.09	.09	5.18	2.80	-2.38
1998.....	5.28	.09	5.37	2.80	-2.57
1999.....	5.45	.09	5.54	2.80	-2.74
2000.....	5.63	.09	5.72	2.80	-2.92
2001.....	5.80	.09	5.89	2.80	-3.09
Average ⁴	3.73	.11	3.84	2.62	-1.22

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

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

³ Rate for employers and employees, combined.

⁴ Average for the 25-yr period 1977-2001.

III. REGULATORY IMPACT OF THE BILL

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

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

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

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

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

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

IV. VOTE OF THE COMMITTEE IN REPORTING THE BILL

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

The bill was ordered reported by a voice vote.

V. BUDGETARY IMPACT OF THE BILL

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

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

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

FINANCE COMMITTEE BUDGET ALLOCATIONS FOR FISCAL YEAR 1978

[In billions of dollars]

Program	Budget authority			Outlays		
	Control- lable amounts	All other amounts	Total	Control- lable amounts	All other amounts	Total
Social security.....		89.5	89.5	-0.4	92.6	92.2
Assistance programs; AFDC, SSI, etc.....	-0.3	11.6	11.2	-.3	12.0	11.7
Fiscal relief for State and local welfare costs.....	+ .5		.5	+ .5		.5

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

The committee consulted with the Congressional Budget Office during the course of deliberations on the bill. An estimate of the budgetary impact of the bill prepared by CBO was received by the commit-

tee on November 1, 1977, and this estimate is printed at the end of this section of the report. The committee, however, elects to adopt as its estimates for titles I and II of the bill the estimates prepared by the Office of the Actuary of the Social Security Administration except as noted. The tables below show the estimates for the next 5 fiscal years of the cost and savings and revenue effects of the bill as reported.

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

TABLE 21.—INCREASED REVENUES TO SOCIAL SECURITY TRUST FUNDS UNDER THE COMMITTEE BILL

[In millions]

Fund and fiscal year	Increased base for employers	Increased base for employees and self- employed	Reallocation between funds	Increased self- employed rate	Increased tax rates	Total
OASDI:						
1978.....			\$1,245			\$1,245
1979.....	\$1,960	\$147	1,232		\$1,202	4,541
1980.....	6,022	515	1,114		1,841	9,492
1981.....	6,337	675	2,069	\$79	5,716	14,876
1982.....	6,525	1,001	2,613	399	7,912	18,450
1983.....	6,681	1,143	2,798	428	8,475	19,525
HI:						
1978.....			-1,245			-1,245
1979.....	436	32	-1,232			-764
1980.....	1,338	110	-1,114			334
1981.....	1,518	160	-2,069			-391
1982.....	1,779	262	-2,613			-572
1983.....	1,822	300	-2,798			-676
OASDHI:						
1978.....						
1979.....	2,396	179			1,202	3,777
1980.....	7,360	625			1,841	9,826
1981.....	7,855	835		79	5,716	14,485
1982.....	8,304	1,263		399	7,912	17,868
1983.....	8,503	1,443		428	8,475	18,849

TABLE 22.—ESTIMATED AMOUNT OF ADDITIONAL OASDI BENEFIT PAYMENTS RESULTING FROM THE COMMITTEE BILL, FISCAL YEARS 1978-83

[In millions]

	1978	1979	1980	1981	1982	1983
Increases in retirement test exempt amount.....		\$2,293	\$2,298	\$2,474	\$2,577	\$2,672
Increase in benefits of surviving spouses, resulting from deceased worker's delayed retirement credits.....	\$2	4	4	7	9	12
Decoupling based on wage-indexed earnings.....		-19	-133	-385	-763	-1,335
Offset to benefits of spouses receiving public retirement pensions.....	-136	-310	-496	-696	-944	-1,202
Limit increases in actuarially reduced benefits.....	-45	-230	-440	-684	-916	-1,086
Eliminate retroactive payments of actuarially reduced benefits.....	-292	-534	-546	-558	-563	-568
Increase in contribution and benefit base.....		(²)	3	10	23	47
Total amount of additional benefit payments..	-471	1,204	690	168	-577	-1,460

¹ The committee has adopted the administration's estimate of the savings from the administration proposal regarding benefits for dependent spouses as the estimated savings from the related com-

mittee amendment offsetting government-employee pensions against such pensions.

² Less than \$500,000.

TABLE 23.—COST OF PAYMENT FOR NONPROFIT ORGANIZATIONS AND GOVERNMENTAL ENTITIES ¹

Fiscal year	Billion
1978	\$0
1979	83
1980	312
1981	319
1982	314

¹ Assumes appropriations action.

TABLE 24.—ESTIMATED ADDITIONAL AMOUNT OF OASDI BENEFIT PAYMENTS IN CALENDAR YEARS 1978-83
[In millions]

	Additional benefit payments by calendar year					
	1978	1979	1980	1981	1982	1983
Increases in retirement test exempt amount.....	\$782	\$1,991	\$2,378	\$2,486	\$2,597	\$2,677
Increase in benefits of surviving spouses, resulting from deceased worker's delayed retirement credits.....	3	4	5	7	10	13
Decoupling based on wage-indexed earnings.....		-31	-189	-461	-888	-1,509
Offset to benefits of spouses receiving public retirement pensions.....	-190	-362	-545	-767	-1,008	-1,289
Limit increases in actuarially reduced benefits.....	-90	-280	-500	-751	-948	-1,157
Eliminate retroactive payments of actuarially reduced benefits.....	-424	-536	-550	-559	-565	-569
Increase in contribution and benefit base.....		(²)	4	11	29	54
Total amount of additional benefit payments...	81	786	603	-34	-773	-1,780

¹ The committee has adopted the administration's estimate of the savings from the administration proposal regarding benefits for dependent spouses as the estimated savings from the related com-

mittee amendment offsetting government-employee pensions against such pensions.
² Less than \$500,000.

TABLE 25.—COMMITTEE ESTIMATES OF THE COST IMPACT OF WELFARE PROVISIONS OF THE BILL

[In millions of dollars]

Provision	Cost impact in fiscal year—				
	1978	1979	1980	1981	1982
Fiscal relief.....	+400				
Incentive payments for low error rates...	(¹)	(¹)	(¹)	(¹)	(¹)
Access to wage information.....	(¹)	(¹)	(¹)	(¹)	(¹)
State demonstration project authority....	(¹)	(¹)	(¹)	(¹)	(¹)
Earned income disregard ²	-175	-230	-241	-261	-276

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

² Based on Administration estimates adjusted for less than full year impact in 1978.

CONGRESSIONAL BUDGET OFFICE ESTIMATE

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

CONGRESSIONAL BUDGET OFFICE,
U.S. CONGRESS,
Washington, D.C., November 1, 1977.

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

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

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

Sincerely,

ALICE M. RIVIN, *Director*.

CONGRESSIONAL BUDGET OFFICE

COST ESTIMATE

NOVEMBER 1, 1977.

1. Bill Number: H.R. 5322.
2. Bill Title: Act to provide duty free treatment for Istle (Provisions related to social security and welfare).

3. Bill Status: Reported by the Senate Committee on Finance, November 1, 1977.

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

5. Cost Estimate: Title I.—Social security provisions.

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

[In billions of dollars]

	1978	1979	1980	1981	1982	1983
OASDI.....	1.3	5.0	10.0	15.8	20.3	21.6
HI.....	-1.3	-.6	.4	-.2	-.4	.5
OASDHI.....	0	4.4	10.4	15.6	19.9	22.1

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

OASDI.....	1.5	5.3	10.7	17.7	27.4	34.2
HI.....	-1.4	-.7	-.6	-.4	-.6	.7
OASDHI.....	.1	4.6	10.1	17.3	26.8	34.9

¹ Estimates based on Congressional Budget Office macroeconomic assumptions.

Estimated change in OASDI outlays, fiscal years ¹

OASDI, total:	<i>Billions</i>
1978.....	-\$0.5
1979.....	.2
1980.....	-.1
1981.....	-.5
1982.....	-1.1
1983.....	-1.9

¹ Estimates based on Congressional Budget Office macroeconomic assumptions.

Title II.—Miscellaneous (negligible cost).

Title III.—Certain provisions relating to fiscal relief and welfare benefits.

ESTIMATED CHANGE IN OUTLAYS, FISCAL YEARS ¹

[In millions of dollars]

	1978	1979	1980	1981	1982
Fiscal relief for States with respect to AFDC programs..	400.0	0	0	0	0
Improved Administration establishment of quality control system for the AFDC programs.....	-.6	-.6	-.7	-.7	-.8
Access to wage information.....	0	0	0	0	0
State demonstration projects.....	0	0	0	0	0
Earned income disregard.....	-175.0	-230.0	-241.0	-261.0	-276.0
Subtotal title III..	224.4	-230.6	-241.7	-261.7	-276.8

¹ Estimates based on Congressional Budget Office macroeconomic assumptions.

6. Basis for Estimates (major components).

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

A. REVENUE ESTIMATES

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

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

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

B. CHANGES AFFECTING OUTLAYS

The table below summarizes the major provisions affecting OASDI outlays:

[In billions of dollars]

	Fiscal years—					
	1978	1979	1980	1981	1982	1983
Decoupling.....		-0.02	-0.13	-0.39	-0.76	-1.34
Raise exempt amount in earnings test.....		1.20	1.39	1.51	1.63	1.77
Allow widows to collect increased benefits of husband's delayed retirement..	(¹)	(¹)	.01	.01	.01	.01
Pension offset to spouse benefit.....	-0.17	-.27	-.41	-.43	-.53	-.64
Limit windfall increases for early retirement.....	-.05	-.23	-.45	-.68	-.91	-1.17
Limit on retroactive benefits..	-.29	-.53	-.55	-.56	-.56	-.57
Total.....	-.51	.15	-.14	-.54	-1.12	-1.94

¹ Less than \$5,000,000.

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

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

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

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

Because of the dependence on "wage indexing" in the new procedure, it is difficult to estimate the effects on costs of the new decoupled formula without knowing how "the average of the total wages" would be measured. One interpretation would be that an actual wage index would be constructed in a manner analogous to that of the Consumer Price Index. Such an index would be adjusted for changes in the experience and skill of the work force and would be unaffected by

changes in hours and weeks worked per worker. Another interpretation of the bill would be that total wages would be the sum of wages subject to withholding, as reported to the Internal Revenue Service, and divided by the number of individuals reported on the withholding statements. In this case the change in average wages could be quite unpredictable and would be affected by factors such as changes in hours and weeks worked per individual and by changes in the rate of job turnover (since the number of different employees each wage earner works for would affect the total number of workers as reported by employers on their W-2 forms).

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

Section 121.—Change in retirement test.

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

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

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

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

For this second group of individuals, three possible paths of increases in beneficiaries were estimated based on three types of assumptions. The final estimates use the median path. The median path projects 195,000 additional 62-64 year olds (and dependents) would have to be paid benefits for the first time when they sign up.

The following tables summarize the relationships. Table Y shows how the median path would change the percentage of eligibles who are retired (for men) versus the historical flow. There has been a steady 2-3 percent annual increase of this age group onto the rolls, even with major changes in the earnings test, such as in 1972-73. The median path predicts an additional 2-3 percent increase (for men) onto the rolls when the law becomes effective. The high and low paths assume higher or lower increases in this rate of increase. Equivalent paths have also been calculated for women.

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

[By fiscal years; in billions of dollars]

	1979	1980	1981	1982	1983
Total cost, 62 to 71-year-olds: ¹					
Median path.....	1.20	1.39	1.51	1.63	1.77
High path.....	1.49	1.68	1.82	1.97	2.13
Low path.....	.96	1.16	1.26	1.36	1.47
Cost for 62 to 64-year-olds:					
Already filed.....	.38	.48	.51	.56	.60
Induced to file:					
Median path.....	.43	.43	.47	.52	.57
High path.....	.73	.72	.79	.86	.92
Low path.....	.19	.20	.22	.24	.26
Total cost, 65 to 71-year-olds..	.38	.48	.52	.56	.60

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

TABLE Y.—MEN 62-64, MEDIAN PATH GROWTH ONTO SOCIAL
SECURITY ROLLS

Calendar year	Eligible to retire (1977-83 esti- mated)	Actual number retired (1977-83 esti- mated)	Percent of eligible who are retired— old law	Total addi- tional benefi- ciaries under new law	Total under new law	Percent of eligible who are retired under new law
1972.....	2,040	635	31.13			
1973.....	2,053	690	33.61			
1974.....	2,077	753	36.28			
1975.....	2,104	787	37.41			
1976.....	2,108	849	40.28			
1977.....	2,122	897	42.27			
1978.....	2,136	948	44.38	60	1,008	47.19
1979.....	2,150	1,002	46.60	124	1,126	52.37
1980.....	2,165	1,059	48.91	128	1,187	54.83
1981.....	2,179	1,120	51.40	132	1,252	57.46
1982.....	2,194	1,183	53.92	136	1,319	60.18
1983.....	2,209	1,250	56.59	140	1,390	62.92

Section 123.—Pension offset to dependents' benefits.

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

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

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

Title III.—

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

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

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

Fiscal year:	Millions
1978.....	\$400
1979.....	0
1980.....	0
1981.....	0
1982.....	0

Section 302.—Improved Administration establishment of quality control system for the aid to families with dependent children programs.

As an incentive to states to reduce errors, this provision would establish a system of monetary rewards for states which reduce their calculated error rates below 4 percent (the further below 4 percent, the greater the reward).

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

Fiscal year:	Millions
1978.....	-\$0.6
1979.....	-.6
1980.....	-.7
1981.....	-.7
1982.....	-.8

Section 303.—Access to wage information.

This provision would make available to states wage information contained in the records of the Social Security Administration and unemployment compensation agencies. Though there would be both costs and potential savings, the magnitude of neither is known.

Costs would be incurred for the administrative expense of processing the records. Savings would be incurred if matching the records uncovered illegitimate payments. Savings are particularly illusive because the information from SSA records could be as old as eighteen months so that the data may not be timely enough to be useful to the states.

Section 304.—Earned income disregard.

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

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

The overall effect of this provision would be to sharply reduce the share of income working AFDC recipients could keep—from an estimated 71 percent to 53 percent. This effect occurs primarily because of the elimination of the work expense disregard. CBO estimates that

the lowered incentive for persons to work and collect AFDC payments at the same time would result in as many as 100,000 fewer people who work while on AFDC out of approximately 500,000 who currently work while collecting AFDC. This change in the composition of workers on AFDC would be the result of three things: (1) Some would drop off AFDC because their income would be too high for them to qualify for AFDC payments under the new provision; (2) Some would curtail working or quit work entirely because working would no longer pay enough to be financially advantageous; and (3) Some would not go on AFDC because the AFDC-work combination would become less attractive. There are thus mixed effects on AFDC costs resulting from this provision.

Section 305.—State demonstration projects.

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

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

Fiscal year:	Millions
1978.....	—\$175
1979.....	—230
1980.....	—241
1981.....	—261
1982.....	—276

7. Estimate Comparison: None.

8. Previous CBO estimate: None.

9. Estimate Prepared by: June O'Neill, Stephen Chaikind, Al Peden, Deborah Kalcevic, Mickey Levey.

10. Estimate Approved by:

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

VI. CHANGES IN EXISTING LAW

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

SOCIAL SECURITY ACT, AS AMENDED

* * * * *

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

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

Section 201. (a) * * *

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

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

ember 31, 1984, and before January 1, 1990, and so reported, (K) 2.100 per centum of the wages (as so defined) paid after December 31, 1989, and before January 1, 1995, (L) 2.400 per centum of the amount of the wages (as so defined) paid after December 31, 1994, and before January 1, 2001, (M) 2.700 per centum of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2011, and (N) 3.00 per centum of the amount of the wages (as so defined) paid after December 31, 2010, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and

(2) (A) $\frac{3}{8}$ of 1 per centum of the amount of self-employment income (as defined in section 1402 of the Internal Revenue Code of 1954) reported to the Secretary of the Treasury or his delegate on tax returns under subtitle F of the Internal Revenue Code of 1954 for any taxable year beginning after December 31, 1956, and before January 1, 1966, (B) and 0.525 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1965, and before January 1, 1968, and (C) 0.7125 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1967, and before January 1, 1970, (D) 0.825 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1969, and before January 1, 1973, (E) 0.795 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1972, and before January 1, 1974, (F) 0.815 of 1 per centum of the amount of self-employment income (as so defined) as reported for any taxable year beginning after December 31, 1973, and before January 1, 1978, [(G) 0.850 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1981, (H) 0.920 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1986, (I) 0.990 of 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1985, and before January 1, 2011, and (J) 1 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.] (G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.040 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and be-

fore January 1, 1981, (I) 1.2375 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985, (J) 1.425 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1984, (K) 1.575 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1990, and before January 1, 1995, (L) 1.800 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2021, (M) 2.025 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2011, and (N) 2.250 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns.

* * * * *

Old-Age and Survivors Insurance Benefit Payments

Old-Age Insurance Benefits

Sec. 202. (a) Every individual who—

- (1) is a fully insured individual (as defined in section 214(a)),
- (2) has attained age 62, and
- (3) has filed application for old-age insurance benefits or was entitled to disability insurance benefits for the month preceding the month in which he attained the age of 65,

shall be entitled to an old-age insurance benefit for each month, beginning with the first month after August 1950 in which such individual becomes so entitled to such insurance benefits and ending with the month preceding the month in which he dies. Except as provided in subsection (q) and subsection (w), 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)) and every divorced wife (as defined in section 216(d)) of an individual entitled to old-age or disability insurance benefits, if such wife or such divorced wife—

- (A) has filed application for wife's insurance benefits,
- (B) has attained age 62 or (in the case of a wife) has in her care (individually or jointly with such individual) at the time of filing such application a child entitled to a child's insurance benefit on the basis of the wages and self-employment income of such individual,
- (C) in the case of a divorced wife, is not married, and
- (D) is not entitled to old-age or disability insurance benefits or is entitled to old-age or disability insurance benefits based on

a primary insurance amount which is less than one-half of the primary insurance amount of such individual, shall (subject to subsection (s)) be entitled to a wife's insurance benefit for each month beginning with the first month 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—

(E) she dies,

(F) such individual dies,

(G) in the case of a wife, they are divorced and either (i) she has not attained age 62, or (ii) she has attained age 62 but has not been married to such individual for a period of 20 years immediately before the date the divorce became effective,

(H) in the case of a divorced wife, she marries a person other than such individual,

(I) in the case of a wife who has not attained age 62, no child of such individual is entitled to a child's insurance benefit,

(J) she becomes entitled to an old-age or disability insurance benefit based on a primary insurance amount which is equal to or exceeds one-half of the primary insurance amount of such individual, or

(K) such individual is not entitled to disability insurance benefits and is not entitled to old-age insurance benefits.

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

(3) In the case of any divorced wife who marries—

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

(B) an individual who has attained the age of 18 and is entitled to benefits under subsection (d),

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

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

(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such

equivalent monthly benefit shall constitute a monthly benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term "periodic benefit" includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments.

Husband's Insurance Benefits

(c) (1) The husband (as defined in section 216(f)) of an individual entitled to old-age or disability insurance benefits, if such husband—

(A) has filed application for husband's insurance benefits,

(B) has attained age 62, and

[(C) was receiving at least one-half of his support, as determined in accordance with regulations prescribed by the Secretary, from such individual—

(i) if she had a period of disability which did not end prior to the month in which she became entitled to old-age or disability insurance benefits, at the beginning of such period or at the time she became entitled to such benefits, or

(ii) if she did not have such a period of disability, at the time she became entitled to such benefits,

and filed proof of such support within two years after the month in which she filed application with respect to such period of disability or after the month in which she became entitled to such benefits, as the case may be, or, if she did not have such a period, two years after the month in which she became entitled to such benefits, and]

[(D)](C) is not entitled to old-age or disability insurance benefits, or is entitled to old-age or disability insurance benefits based on a primary insurance amount which is less than one-half of the primary insurance amount of his wife,

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

[(2) The provisions of subparagraph (C) of paragraph (1) shall (subject to subsection (s)) not be applicable in the case of any husband who—

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

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

[(C) in the month prior to the month of his marriage to such individual he was entitled to, or on application therefor and attainment of the required age (if any) would have been entitled

to, a widower's, child's (after attainment of age 18), or parent's insurance annuity under section 5 of the Railroad Retirement Act of 1937, as amended.】

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

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

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

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

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

* * * * *

Widow's Insurance Benefits

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

(A) is not married,

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

(C) (i) has filed application for widow's insurance benefits, or was entitled to wife's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month

preceding the month in which he died, and (I) has attained age 65 or (II) is not entitled to benefits under subsection (a) or section 223, or

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

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

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

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

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

(ii) the first month during all of which she is under a disability and in which she becomes so entitled to such insurance benefits, but only if she was previously entitled to insurance benefits under this subsection on the basis of being under a disability and such first month occurs (I) in the period specified in paragraph (5) and (II) after the month in which a previous entitlement to such benefits on such basis terminated,

and ending with the month preceding the first month in which any of the following occurs: she remarries, dies, becomes entitled to an old-age insurance benefit equal to or exceeding the primary insurance amount of such deceased individual, or, if she became entitled to such benefits before she attained age 60, the third month following the month in which her disability ceases (unless she attains age 65 on or before the last day of such third month).

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

(B) If the deceased individual (on the basis of whose wages and self-employment income a widow or surviving divorced wife is entitled to widow's insurance benefits under this subsection) was, at any time, entitled to an old-age insurance benefit which was reduced by reason of the application of subsection (q), the widow's insurance benefit of such widow or surviving divorced wife for any month shall, if the amount of the widow's insurance benefit of such widow or surviving divorced wife (as determined under subparagraph (A) and after application of subsection (q)) is greater than—

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

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

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

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

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

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

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

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

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

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

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

(C) the month in which a previous entitlement to widow's insurance benefits on the basis of such wages and self-employment income terminated because her disability had ceased.

and ending with the month before the month in which she attains age 60, or, if earlier, with the close of the eighty-fourth month following the month with which such period began.

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

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

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

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

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

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

Widower's Insurance Benefits

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

(A) has not remarried,

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

(C) has filed application for widower's insurance benefits or was entitled to husband's insurance benefits, on the basis of the wages and self-employment income of such individual, for the month preceding the month in which she died, and (I) has at-

tained age 65 or (II) is not entitled to benefits under subsection (a) or section 223,

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

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

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

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

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

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

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

and ending with the month preceding the first month in which any of the following occurs: he remarries, dies, or becomes entitled to an old-age insurance benefit equal to or exceeding the primary insurance amount of his deceased wife, or, if he became entitled to such benefits before he attained age 60, the third month following the month in which his disability ceases (unless he attains age 65 on or before the last day of such third month).

[(2) The provisions of subparagraph (D) of paragraph (1) shall (subject to subsection (s)) not be applicable in the case of any individual who—

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

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

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

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

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

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

(B) If the deceased wife (on the basis of whose wages and self-employment income a widower is entitled to widower's insurance benefits under this subsection) was, at any time, entitled to an old-age insurance benefit which was reduced by reason of the application of subsection (q), the widower's insurance benefit of such widower for any month shall, if the amount of the widower's insurance benefit of such widower (as determined under subparagraph (A) and after application of subsection (q)) is greater than—

(i) the amount of the old-age insurance benefit to which such deceased wife would have been entitled (after application of subsection (q)) for such month if such wife were still living *and section 215(f)(3) were applied, where appropriate*; and

(ii) 82½ percent of the primary insurance amount of such deceased wife;

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

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

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

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

such widower's entitlement to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) but subject to subsection (s), not be terminated by reason of such marriage.

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

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

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

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

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

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

(B) which begins not earlier than with whichever of the following is the later: (i) the first day of the seventeenth month before the month in which his application is filed, or (ii) the

first day of the fifth month before the month in which the period specified in paragraph (6) begins.

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

Mother's Insurance Benefits

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

(A) is not married,

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

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

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

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

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

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

(ii) the benefits referred to in such subparagraph are payable on the basis of such individual's wages and self-employment income,

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

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

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

(A) an individual entitled to benefits under subsection (a), (f), or (h), or under section 223(a), or

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

the entitlement of such widow or surviving divorced mother to benefits under this subsection shall, notwithstanding the provisions of paragraph (1) but subject to subsection (s), not be terminated by reason of such marriage; except that, in the case of such a marriage to an individual entitled to benefits under section 223(a) or subsection (d) of this section, the preceding provisions of this paragraph shall not apply with respect to benefits for months after the last month for which such individual is entitled to such benefits under section 223(a) or subsection (d) of this section unless (i) he ceases to be so entitled by reason of his death, or (ii) in the case of an individual who was entitled to benefits under section 223(a), he is entitled, for the month following such last month, to benefits under subsection (a) of this section.

(4) (A) *The amount of a mother's insurance benefit for each month to which any individual is entitled under this subsection shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such individual for such month which is based upon such individual's earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day such individual was employed by such entity, such service did not constitute "employment" as defined in section 210.*

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

* * * * *

Application for Monthly Insurance Benefits

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

(2) *An application for any monthly benefits under this section filed before the first month in which the applicant satisfies the requirements for such benefits shall be deemed a valid application only if the*

applicant satisfies the requirements for such benefits before the Secretary makes a final decision on the application. If upon final decision by the Secretary, or decision upon judicial review thereof, such applicant is found to satisfy such requirements, the application shall be deemed to have been filed in such first month.

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

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

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

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

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

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

* * * * *

Minimum Survivor's Benefit

(m) **[(1)** In any case in which an individual is entitled to a monthly benefit under this section on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for such month on the basis of such wages and self-employment income, such individual's benefit amount for such month, prior to reduction under subsection (k) (3), shall be not less than the first amount appearing in column IV of the table in (or deemed to be in) section 215(a), except as provided in paragraph (2). **]** *(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 (a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for that month on the basis of those wages and self-employment income, the individual's benefit amount for that month, prior to reduction under subsection (k) (3), shall not be less than that provided by subparagraph (C) (I) or (C) (II) (whichever is greater) of section 215(a) (1). In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 as in effect (without regard to the table contained therein) prior to January 1979, that monthly benefit shall be determined under this section as in effect as prescribed by section 215(a) (5) and increased under subsection (i) (4).*

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

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

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

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

* * * * *

Extension of Period for Filing Proof of Support and Applications for Lump-Sum Death Payment

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

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

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

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

Reduction of Benefit Amounts for Certain Beneficiaries

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

(A) $\frac{5}{100}$ of 1 percent of such amount if such benefit is an old-age insurance benefit, $\frac{25}{36}$ of 1 percent of such amount if such benefit is a wife's or husband's insurance benefit, or $\frac{19}{40}$ of 1 percent of such amount if such benefit is a widow's or widower's insurance benefit, multiplied by—

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

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

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

(C) $\frac{43}{240}$ of 1 percent of the amount of such benefit, multiplied by—

(D)(i) the number of months in the additional reduction period for such benefit (determined under paragraph (6)(B)), if such benefit is for a month before the month in which such individual attains age 62, or

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

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

(3)(A) If the first month for which an individual both is entitled to a wife's, husband's, widow's, or widower's insurance benefit and has attained age 62 (in the case of a wife's or husband's insurance benefit) or age 50 (in the case of a widow's or widower's insurance benefit) is a month for which such individual is also entitled to—

(i) an old-age insurance benefit (to which such individual was first entitled for a month before he attains age 65), or

(ii) a disability insurance benefit,

then in lieu of any reduction under paragraph (1) (but subject to the succeeding paragraphs of this subsection) such wife's, husband's, widow's, or widower's insurance benefit for each month shall be reduced as provided in subparagraph (B), (C), or (D).

(B) For any month for which such individual is entitled to an old-age insurance benefit and is not entitled to a disability insurance benefit, such individual's wife's, or husband's insurance benefit shall be reduced by the sum of—

(i) the amount by which such old-age insurance benefit is reduced under paragraph (1) for such month, and

(ii) the amount by which such wife's or husband's insurance benefit would be reduced under paragraph (1) for such month if it were equal to the excess of such wife's or husband's insurance benefit (before reduction under this subsection) over such old-age insurance benefit (before reduction under this subsection).

(C) For any month for which such individual is entitled to a disability insurance benefit, such individual's wife's, husband's, widow's, or widower's insurance benefit shall be reduced by the sum of—

(i) the amount by which such disability insurance benefit is reduced under paragraph (2) for such month (if such paragraph applied to such benefit), and

(ii) the amount by which such wife's, husband's, widow's, or widower's insurance benefit would be reduced under paragraph (1) for such month if it were equal to the excess of such wife's, husband's, widow's, or widower's insurance benefit (before reduction under this subsection) over such disability insurance benefit (before reduction under this subsection).

(D) For any month for which such individual is entitled neither to an old-age insurance benefit nor to a disability insurance benefit,

such individual's wife's, husband's, widow's, or widower's insurance benefit shall be reduced by the amount by which it would be reduced under paragraph (1).

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

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

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

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

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

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

(G) If the first month for which an individual is entitled to a disability insurance benefit (when such first month occurs before the month in which such individual attains the age of 62) is a month for which such individual is also (or would, but for subsection (e)(1) in the case of a widow or surviving divorced wife or subsection (f)(1)

in the case of a widower, be) entitled to a widow's or widower's insurance benefit, then such disability insurance benefit for each month shall be reduced by the amount such widow's insurance benefit would be reduced under paragraphs (1) and (4) for such month as if the period specified in paragraph (6)(A) (or, if such paragraph does not apply, the period specified in paragraph (6)(B)) ended with the month before the first month for which she or he most recently became entitled to a disability insurance benefit.

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

(4) If—

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

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

then the amount of the reduction of such benefit for each month shall be computed separately (under paragraph (1) or (3), whichever applies) for the portion of such benefit which constitutes such benefit before any increase described in subparagraph (B), and separately (under paragraph (1) or (3), whichever applies to the benefit being increased) for each such increase. For purposes of determining the amount of the reduction under paragraph (1) or (3) in any such increase, the reduction period and the adjusted reduction period shall be determined as if such increase were a separate benefit to which such individual was entitled for and after the first month for which such increase is effective.]

then the amount of the reduction of such benefit (after the application of any adjustment under paragraph (7)) for each month beginning with the month of such increase in the primary insurance amount, shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and from the month for which the individual first became entitled to such monthly benefit reduced under such paragraph (1) or (3).

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

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

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

(B) Any certificate described in subparagraph (A) (i) shall be effective for purposes of this subsection (and for purposes of preventing deductions under section 203(c) (2))—

(i) for the month in which it is filed and for any month thereafter, and

(ii) for months, in the period designated by the woman filing such certificate, of one or more consecutive months (not exceeding 12) immediately preceding the month in which such certificate is filed;

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

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

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

(6) For the purposes of this subsection—

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

(i) beginning—

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

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

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

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

(B) the "additional reduction period" for an individual's widow's, or widower's insurance benefit is the period—

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

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

(7) For purposes of this subsection the "adjusted reduction period" for an individual's old-age, wife's, husband's, widow's, or widower's insurance benefit is the reduction period prescribed in paragraph (6) (A) for such benefit, and the "additional adjusted reduction period" for an individual's, widow's, or widower's, insurance benefit is the additional reduction period prescribed by paragraph (6) (B) for such benefit, excluding from each such period—

(A) any month in which such benefit was subject to deductions under section 203(b), 203(c)(1), 203(d)(1), or 222(b),

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

(C) in the case of wife's or husband's insurance benefits, any month for which such individual was not entitled to such benefits because [the spouse on whose wages and self-employment income such benefits were based ceased to be under a disability,] *of the occurrence of an event that terminated her or his entitlement to such benefits,*

(D) in the case of widow's insurance benefits, any month in which the reduction in the amount of such benefit was determined under paragraph (5)(D),

(E) in the case of widow's or widower's insurance benefits, any month before the month in which she or he attained age 62, and also for any later month before the month in which he attained retirement age, for which she or he was not entitled to such benefit because of the occurrence of an event that terminated her or his entitlement to such benefits, and

(F) in the case of old-age insurance benefits, any month for which such individual was entitled to a disability insurance benefit.

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

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

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

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

(B) *in the case of widow's and widower's insurance benefits for the month in which such individual attains age 62, by multiplying such amount by the ratio of (i) the number of months*

in the reduction period beginning with age 62 multiplied by $19/40$ of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by $19/40$ of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by $43/240$ of 1 percent to (ii) the number of reduction period prior to age 62 multiplied by $19/40$ of 1 percent, plus the number of months in the additional reduction period multiplied by $43/240$ of 1 percent, and

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

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

* * * * *

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

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

(A) one-twelfth of 1 percent of such amount, multiplied by
(B) the number (if any) of the increment months for such individual.

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

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

(B) with respect to which—

(i) such individual was a fully insured individual (as defined in section 214(a)), and

(ii) such individual either was not entitled to an old-age insurance benefit or suffered deductions under section 203(b) or 203(c) in amounts equal to the amount of such benefit.

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

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

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

Reduction of Insurance Benefits

Maximum Benefits

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

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

beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of that insured individual shall, except as provided by paragraph (3) (but prior to any increases resulting from the application of paragraph (2) (A) (ii) (III) of section 215(i)) be reduced so as not to exceed—

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

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

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

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

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

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

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

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

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

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

(ii) an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215

(a) (1) *for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base applicable to employees and the self-employed determined for that year under section 230.*

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

[(A)] (i) *the amount determined under this subsection without regard to this [paragraph] subparagraph,*

[(B)] (ii) *the largest amount which has been determined for any month under this subsection for persons entitled to monthly benefits on the basis of such insured individual's wages and self-employment income, or*

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

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

[(3) when] (C) *When any of such individuals is entitled to monthly benefits as a divorced wife under section 202(b) or as a*

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

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

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

¶(4) notwithstanding**¶** (5) *Notwithstanding* any other provision of law, when—

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

(B) such individual's primary insurance amount is increased for the following month under any provision of this title, then the total of monthly benefits for all persons on the basis of such wages and self-employment income for such particular month, as determined under the provisions of this subsection, shall for purposes of determining the total monthly benefits for all persons on the basis of such wages and self-employment income for months subsequent to such particular month to be considered to have been increased by the smallest amount that would have been required in order to assure that the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be less (after the application of the other provisions of this subsection and section 202(q)) than the total of monthly benefits (after the application of the other provisions of this subsection and section 202(q)) payable on the basis of such wages and self-employment income for such particular month**¶**, or**¶**.

[(5) whenever the monthly benefits of such individuals are based on an insured individual's primary insurance amount which is determined under section 215(a)(3) and such primary insurance amount does not appear in column IV of the table in (or deemed to be in) section 215(a), the applicable maximum amount in column V of such table shall be the amount in such column that appears on the line on which the next higher primary insurance amount appears in column IV, or, if larger, the largest amount determined for such persons under this subsection for any month prior to October 1972.]*

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

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

(8) *when—*

(A) *one or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for December 1977 on the basis of the wages and self-employment income of an individual;*

(B) *the benefit of at least one such person for January 1978 is increased by reason of the amendments made by section 109 of the Social Security Amendments of 1977; and*

(C) *the total amount of benefits to which all such persons are entitled under such section 202 are reduced under the provisions of this subsection (or would be so reduced except for the first sentence of section 203(a)(4)),*

then the amount of the benefit to which each such person is entitled for months after December 1977 shall be increased (after such reductions are made under this subsection) to the amount such benefit would have been if the benefit of the person or persons referred to in subparagraph (B) had not been so increased.

* * * * *

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

Months to Which Earnings Are Charged

(f) For purposes of subsection (b)—

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

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

(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be 50 per centum of his earnings for such year in excess of the product of **["\$200 or"]** the exempt amount as determined under paragraph (8), multiplied by the number of months in such year, except that, in determining an individual's excess earnings for the taxable year in which he attains age 72, there shall be excluded any earnings of such individual for the month in which he attains such age and any subsequent month (with any net earnings or net loss from

self-employment in such year being prorated in an equitable manner under regulations of the Secretary). The excess earnings as derived under the preceding sentence, if not a multiple of 1, shall be reduced to the next lower multiple of \$1.

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

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

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

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

(B) For purposes of this section—

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

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

(C) For purposes of this subsection, an individual's wages shall be computed without regard to the limitations as to amounts of remuneration specified in subsections (a), (g)(2), (g)(3), (h)(2), and (i) of section 209; and in making such computation services which do not constitute employment as defined in section 210, performed within the United States by the individual as an employee or performed outside the United States in the active military or naval service of the United States, shall be deemed to be employment as so defined if the remuneration for such services is not includible in computing his net earnings or net loss from self-employment.

(D) In the case of an individual—

(i) who has attained the age of 65 on or before the last day of the taxable year, and

(ii) who shows to the satisfaction of the Secretary that he is receiving royalties attributable to a copyright or patent obtained before the taxable year in which he attained the age of 65 and that the property to which the copyright or patent relates was created by his own personal efforts, there shall be excluded from gross income any such royalties.

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

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

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

(B) ~~【The】~~ *Except as provided in subparagraph (D), the exempt amount for each month of a particular taxable year shall be whichever of the following is the larger—*

(i) the exempt amount which was in effect with respect to months in the taxable year in which the determination under subparagraph (A) was made, or

(II) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year preceding the calendar year in which the determination under subparagraph (A) was made to (II) the average of the wages of all employees as reported to the Secretary of the Treasury for the calendar year 1973, or, if later, the calendar year preceding the most recent calendar year in which an increase in the exempt amount was enacted or a determination resulting in such an increase was made under subparagraph (A), with such product, if not a multiple of \$10, being rounded to the next higher multiple of \$10 where such product is a multiple of \$5 but not of \$10 and to the nearest multiple of \$10 in any other case. For purposes of this clause (ii), the average of the wages for the calendar year 1978 (or any prior calendar year) shall, in the case of determinations made under subparagraph (A) prior to December 31, 1979, be deemed to be an amount equal to 400 per centum of the amount of the average of the taxable wages of all employees as reported to the Secretary for the first calendar quarter of such calendar year.

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

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

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

(i) shall be \$375 for each month of any taxable year ending after 1977 and before 1979, and

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

* * * * *

Report of Earnings to Secretary

(h)(1)(A) If an individual is entitled to any monthly insurance benefit under section 202 during any taxable year in which he has earnings or wages, as computed pursuant to paragraph (5) of subsection (f), in excess of the product of [\$200 or] the exempt amount as determined under subsection (f)(8) times the number of months in such year, such individual (or the individual who is in receipt of such benefit on his behalf) shall make a report to the Secretary of

his earnings (or wages) for such taxable year. Such report shall be made on or before the fifteenth day of the fourth month following the close of such year, and shall contain such information and be made in such manner as the Secretary may by regulations prescribe. Such report need not be made for any taxable year (i) beginning with or after the month in which such individuals attained the age of 72, or (ii) if benefit payments for all months (in such taxable year) in which such individual is under age 72 have been suspended under the provisions of the first sentence of paragraph (3) of this subsection. The Secretary may grant a reasonable extension of time for making the report of earnings required in this paragraph if he finds that there is valid reason for a delay, but in no case may the period be extended more than three months.

* * * * *

Computation of Primary Insurance Amount

Sec. 215. For the purposes of this title—

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

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

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

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

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

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

[(A) the amount in column IV of such table which is equal to the primary insurance amount upon which such disability insurance benefit is based ; except that if such individual was entitled to a disability insurance benefit under section 223 for the month before the effective month of a new table (whether enacted by another law or deemed to be such table under subsection (i) (2) (D)) and in the following month became entitled to an old-age insurance benefit or he died in such following month, then his primary insurance amount for such following month shall be the amount in column IV of the new table on the line on which in column II of such table appears his primary insurance amount for the month before the effective month of the table (as determined under subsec-

tion (c)) instead of the amount in column IV equal to the primary insurance amount on which his disability insurance benefit is based. For purposes of this paragraph, the term "primary insurance amount" with respect to any individual means only a primary insurance amount determined under paragraph (1) (and such individual's benefits shall be deemed to be based upon the primary insurance amount as so determined); or

[(B) an amount equal to the primary insurance amount upon which such disability insurance benefit is based if such primary insurance amount was determined under paragraph (3).

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

[For purposes of paragraph (3), an individual's "years of coverage" is the number (not exceeding 30) equal to the sum of (i) the number (not exceeding 14 and disregarding any fraction) determined by dividing the total of the wages credited to him (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by \$900, plus (ii) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (C)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, compensation under the Railroad Retirement Act of 1937 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year.]

TABLE FOR DETERMINING PRIMARY INSURANCE AMOUNT AND MAXIMUM FAMILY BENEFITS
BEGINNING JUNE 1977

(I) (Primary insurance benefit under 1959 Act, as modified)		(II) (Primary insurance amount effective for June 1976)	(III) (Average monthly wage)		(IV) (Primary insurance amount)	(V) (Maximum family benefits)
If an individual's primary insur- ance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits pay- able (as pro- vided in sec. 202(a)) on the basis of his wage and self-employ- ment income shall be—
At least—	But not more than—		At least—	But not more than—		
\$16.21	\$16.20	\$107.00		\$76	\$114.80	\$171.80
16.55	16.84	108.00		77	116.10	174.20
17.61	17.60	112.10		80	118.80	178.80
18.41	18.40	114.20		81	121.00	181.00
19.25	19.24	116.20		83	123.10	184.70
20.01	20.00	118.70		84	125.80	188.70
20.65	20.64	120.90		86	128.10	192.20
21.29	21.28	123.80		88	130.10	195.20
21.89	21.88	125.30		90	132.70	199.10
22.29	22.28	127.40		91	135.00	202.50
22.69	22.68	129.60		93	137.20	205.80
23.09	23.08	131.60		95	139.40	209.10
23.45	23.44	134.00		97	142.00	213.00
23.77	23.76	136.20		99	144.30	216.50
24.21	24.20	138.30		101	147.10	220.70
24.61	24.60	140.80		103	149.20	223.90
25.01	25.00	143.20		105	151.70	227.60
25.49	25.48	145.80		107	154.50	231.90
25.93	25.92	148.20		109	157.00	235.50
26.41	26.40	150.50		110	159.40	239.20
26.85	26.84	152.80		113	161.90	242.90
27.27	27.26	155.00		115	164.20	246.30
27.69	27.68	157.40		117	166.70	249.20
28.09	28.08	159.80		122	169.30	254.00
28.49	28.48	162.20		123	171.80	257.80
28.89	28.88	164.40		125	174.10	261.80
29.29	29.28	166.60		127	176.80	265.80
29.69	29.68	168.80		128	179.10	268.70
30.09	30.08	171.00		142	181.70	272.60
30.49	30.48	173.20		147	183.90	275.90
30.89	30.88	175.40		151	185.80	279.80
31.29	31.28	177.60		155	188.00	283.50
31.69	31.68	179.80		159	190.00	287.10
32.09	32.08	182.00		163	192.40	291.00
32.49	32.48	184.20		167	194.80	294.50
32.89	32.88	186.40		171	196.90	298.50
33.29	33.28	188.60		175	199.00	302.00
33.69	33.68	190.80		179	201.80	305.80
34.09	34.08	193.00		183	203.90	309.70
34.49	34.48	195.20		187	206.00	313.50
34.89	34.88	197.40		191	208.40	317.80
35.29	35.28	199.60		195	210.80	321.00
35.69	35.68	201.80		199	213.00	324.50
36.09	36.08	204.00		203	215.40	328.50
36.49	36.48	206.20		207	217.80	332.00
36.89	36.88	208.40		211	220.00	335.80
37.29	37.28	210.60		215	222.40	339.50
37.69	37.68	212.80		219	224.80	343.00
38.09	38.08	215.00		223	227.20	346.50
38.49	38.48	217.20		227	229.60	350.00
38.89	38.88	219.40		231	232.00	353.50
39.29	39.28	221.60		235	234.40	357.00
39.69	39.68	223.80		239	236.80	360.50
40.09	40.08	226.00		243	239.20	364.00
40.49	40.48	228.20		247	241.60	367.50
40.89	40.88	230.40		251	244.00	371.00
41.29	41.28	232.60		255	246.40	374.50
41.69	41.68	234.80		259	248.80	378.00
42.09	42.08	237.00		263	251.20	381.50
42.49	42.48	239.20		267	253.60	385.00
42.89	42.88	241.40		271	256.00	388.50
43.29	43.28	243.60		275	258.40	392.00
43.69	43.68	245.80		279	260.80	395.50
44.09	44.08	248.00		283	263.20	399.00
44.49	44.48	250.20		287	265.60	402.50
44.89	44.88	252.40		291	268.00	406.00
45.29	45.28	254.60		295	270.40	409.50
45.69	45.68	256.80		299	272.80	413.00
46.09	46.08	259.00		303	275.20	416.50
46.49	46.48	261.20		307	277.60	420.00
46.89	46.88	263.40		311	280.00	423.50
47.29	47.28	265.60		315	282.40	427.00
47.69	47.68	267.80		319	284.80	430.50
48.09	48.08	270.00		323	287.20	434.00
48.49	48.48	272.20		327	289.60	437.50
48.89	48.88	274.40		331	292.00	441.00
49.29	49.28	276.60		335	294.40	444.50
49.69	49.68	278.80		339	296.80	448.00
50.09	50.08	281.00		343	299.20	451.50
50.49	50.48	283.20		347	301.60	455.00
50.89	50.88	285.40		351	304.00	458.50
51.29	51.28	287.60		355	306.40	462.00
51.69	51.68	289.80		359	308.80	465.50
52.09	52.08	292.00		363	311.20	469.00
52.49	52.48	294.20		367	313.60	472.50
52.89	52.88	296.40		371	316.00	476.00
53.29	53.28	298.60		375	318.40	479.50
53.69	53.68	300.80		379	320.80	483.00
54.09	54.08	303.00		383	323.20	486.50
54.49	54.48	305.20		387	325.60	490.00
54.89	54.88	307.40		391	328.00	493.50
55.29	55.28	309.60		395	330.40	497.00
55.69	55.68	311.80		399	332.80	500.50
56.09	56.08	314.00		403	335.20	504.00
56.49	56.48	316.20		407	337.60	507.50
56.89	56.88	318.40		411	340.00	511.00
57.29	57.28	320.60		415	342.40	514.50
57.69	57.68	322.80		419	344.80	518.00
58.09	58.08	325.00		423	347.20	521.50
58.49	58.48	327.20		427	349.60	525.00
58.89	58.88	329.40		431	352.00	528.50
59.29	59.28	331.60		435	354.40	532.00
59.69	59.68	333.80		439	356.80	535.50
60.09	60.08	336.00		443	359.20	539.00
60.49	60.48	338.20		447	361.60	542.50
60.89	60.88	340.40		451	364.00	546.00
61.29	61.28	342.60		455	366.40	549.50
61.69	61.68	344.80		459	368.80	553.00
62.09	62.08	347.00		463	371.20	556.50
62.49	62.48	349.20		467	373.60	560.00
62.89	62.88	351.40		471	376.00	563.50
63.29	63.28	353.60		475	378.40	567.00
63.69	63.68	355.80		479	380.80	570.50
64.09	64.08	358.00		483	383.20	574.00
64.49	64.48	360.20		487	385.60	577.50
64.89	64.88	362.40		491	388.00	581.00
65.29	65.28	364.60		495	390.40	584.50
65.69	65.68	366.80		499	392.80	588.00
66.09	66.08	369.00		503	395.20	591.50
66.49	66.48	371.20		507	397.60	595.00
66.89	66.88	373.40		511	400.00	598.50
67.29	67.28	375.60		515	402.40	602.00
67.69	67.68	377.80		519	404.80	605.50
68.09	68.08	380.00		523	407.20	609.00
68.49	68.48	382.20		527	409.60	612.50
68.89	68.88	384.40		531	412.00	616.00
69.29	69.28	386.60		535	414.40	619.50
69.69	69.68	388.80		539	416.80	623.00
70.09	70.08	391.00		543	419.20	626.50
70.49	70.48	393.20		547	421.60	630.00
70.89	70.88	395.40		551	424.00	633.50
71.29	71.28	397.60		555	426.40	637.00
71.69	71.68	399.80		559	428.80	640.50
72.09	72.08	402.00		563	431.20	644.00
72.49	72.48	404.20		567	433.60	647.50
72.89	72.88	406.40		571	436.00	651.00
73.29	73.28	408.60		575	438.40	654.50
73.69	73.68	410.80		579	440.80	658.00
74.09	74.08	413.00		583	443.20	661.50
74.49	74.48	415.20		587	445.60	665.00
74.89	74.88	417.40		591	448.00	668.50
75.29	75.28	419.60		595	450.40	672.00
75.69	75.68	421.80		599	452.80	675.50
76.09	76.08	424.00		603	455.20	679.00
76.49	76.48	426.20		607	457.60	682.50
76.89	76.88	428.40		611	460.00	686.00
77.29	77.28	430.60		615	462.40	689.50
77.69	77.68	432.80		619	464.80	693.00
78.09	78.08	435.00		623	467.20	696.50
78.49	78.48	437.20		627	469.60	700.00
78.89	78.88	439.40		631	472.00	703.50
79.29	79.28	441.60		635	474.40	707.00
79.69	79.68	443.80		639	476.80	710.50
80.09	80.08	446.00		643	479.20	714.00
80.49	80.48	448.20		647	481.60	717.50
80.89	80.88	450.40		651	484.00	721.00
81.29	81.28	452.60		655	486.40	724.50
81.69	81.68	454.80		659	488.80	728.00
82.09	82.08	457.00		663	491.20	731.50
82.49	82.48	459.20		667	493.60	735.00
82.89	82.88	461.40		671	496.00	738.50
83.29	83.28	463.60		675	498.40	742.00
83.69	83.68	465.80		679	500.80	745.50
84.09	84.08	468.00		683	503.20	749.00
84.49	84.48	470.20		687	505.60	752.50
84.89	84.88	472.40		691	508.00	756.00
85.29	85.28	474.60		695	510.40	759.50
85.69	85.68	476.80		699	512.80	763.00
86.09	86.08	479.00		703	515.20	766.50

(I) (Primary insurance benefit under 1950 Act, as modified)		(II) (Primary insurance amount effective for June 1978)	(III) (Average monthly wage)		(IV) (Primary insurance amount)	(V) (Maximum family benefit)
If an individual's primary insur- ance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraph of this subsection shall be—	And the maximum amount of benefits pay- able (as pro- vided in sec. 203(a)) on the basis of his wages and self-employ- ment income shall be—
At least—	But not more than—		At least—	But not more than—		
		281.30	368	370	297.90	528.10
		283.80	371	375	300.60	535.10
		285.30	376	379	302.10	541.10
		288.60	380	384	305.70	548.20
		290.70	385	389	307.90	555.20
		293.00	390	393	310.30	560.90
		295.50	394	398	313.50	568.10
		297.80	399	403	315.40	575.30
		300.40	404	407	318.20	580.80
		302.90	408	412	320.20	586.00
		304.50	413	417	322.50	593.10
		306.70	418	421	324.80	600.80
		309.10	422	426	327.40	607.90
		311.20	427	431	329.60	615.10
		313.10	432	436	331.50	622.20
		315.70	437	440	334.40	628.00
		317.70	441	445	336.50	629.80
		319.80	446	450	338.70	632.30
		322.20	451	454	341.30	635.00
		324.30	455	459	343.50	638.50
		326.50	460	464	345.80	642.00
		328.50	465	468	347.90	645.10
		331.10	469	473	350.70	648.00
		332.00	474	478	352.60	652.20
		335.10	479	482	354.90	655.10
		337.40	483	487	357.40	658.70
		339.80	488	492	359.70	663.30
		341.70	493	496	361.90	665.10
		344.10	497	501	364.50	668.00
		348.10	502	506	366.60	672.10
		348.80	507	510	368.60	675.10
		350.40	511	515	371.10	678.60
		352.80	516	520	373.70	682.30
		354.80	521	524	375.80	684.90
		357.00	525	529	378.10	688.60
		359.50	530	534	380.50	692.10
		361.40	535	538	382.80	695.00
		363.60	539	543	385.10	698.60
		366.00	544	548	387.50	702.10
		368.10	549	553	389.90	705.70
		370.20	554	558	392.10	707.80
		371.90	557	560	393.90	710.70
		374.00	561	563	396.10	712.90
		376.00	564	567	398.20	715.70
		378.00	568	570	400.40	717.80
		379.80	571	574	402.30	720.60
		381.80	575	577	404.40	722.90
		383.50	579	581	406.20	725.60
		385.00	582	584	408.40	727.80
		387.30	585	588	410.20	730.70
		389.60	589	591	412.60	732.80
		391.50	592	595	414.50	735.60
		393.40	596	598	416.70	737.60
		395.30	599	602	418.70	740.70
		397.20	603	605	420.70	742.80
		399.20	606	609	422.80	745.50
		401.20	610	612	424.90	747.80
		403.10	613	616	426.90	750.70
		405.00	617	620	428.90	753.50
		406.90	621	623	431.00	755.80
		409.80	624	627	433.00	758.50
		410.80	628	630	435.10	761.20
		412.70	631	634	437.10	764.50
		414.70	633	637	439.20	768.50
		416.80	638	641	441.40	772.20
		418.50	642	644	443.20	775.00
		420.50	645	648	445.40	779.40
		422.40	649	652	447.40	783.60
		423.80	653	656	448.00	785.00
		424.80	657	660	449.90	787.20
		426.30	661	665	451.50	790.10
		427.80	666	670	453.10	792.90
		429.40	671	675	454.80	795.80
		430.90	676	680	456.40	798.50
		432.40	681	685	458.00	801.40
		434.10	686	690	459.80	804.10
		435.50	691	695	461.20	807.10
		437.00	696	700	462.60	809.50
		438.60	701	705	464.50	812.70
		440.10	706	710	466.10	815.50
		441.60	711	715	467.70	818.30
		443.20	716	720	469.40	821.30
		444.70	721	725	471.00	824.00
		446.20	726	730	472.60	826.90

(I) (Primary insurance benefit under 1959 Act, as modified)		(II) (Primary insurance amount effective for June 1976)	(III) (Average monthly wage)		(IV) (Primary insurance amount)	(V) (Maximum family benefit)
If an individual's primary insur- ance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits pay- able (as pro- vided in sec. 203(a)) on the basis of his wages and self-employ- ment income shall be—
At least—	But not more than—		At least—	But not more than—		
447.70		731	735		474.20	829.80
448.80		735	740		475.90	832.80
450.80		741	745		477.40	835.80
452.20		745	750		478.90	838.20
453.80		751	755		480.40	840.70
454.80		755	760		481.80	843.00
455.20		761	765		483.20	845.40
457.80		766	770		484.50	847.80
458.70		771	775		485.80	850.10
460.00		776	780		487.20	852.40
461.30		781	785		488.60	854.80
462.80		786	790		489.90	857.10
463.70		791	795		491.10	859.60
465.00		796	800		492.50	861.90
465.40		801	805		494.00	864.30
467.70		806	810		495.30	866.60
469.00		811	815		496.70	869.10
470.20		816	820		498.00	871.30
471.50		821	825		499.40	873.80
472.80		826	830		500.70	876.10
474.00		831	835		502.00	878.60
475.20		836	840		503.30	880.80
476.50		841	845		504.70	883.30
477.80		846	850		506.00	885.40
479.20		851	855		507.50	887.90
480.40		856	860		508.90	890.20
481.70		861	865		510.20	892.60
483.00		866	870		511.50	895.00
484.30		871	875		512.90	897.30
485.40		876	880		514.10	899.70
486.70		881	885		515.50	902.10
488.00		886	890		516.80	904.40
489.30		891	895		518.20	907.00
490.60		896	900		519.60	909.20
491.90		901	905		521.00	911.60
493.20		906	910		522.30	914.00
494.50		911	915		523.70	916.40
495.80		916	920		525.10	918.60
496.90		921	925		526.50	921.10
498.20		926	930		527.80	923.20
499.50		931	935		529.00	925.70
500.80		936	940		530.40	928.10
502.00		941	945		531.70	930.50
503.30		946	950		533.00	932.80
504.70		951	955		534.50	935.30
506.00		956	960		535.90	937.60
507.20		961	965		537.30	939.90
508.40		966	970		538.40	942.30
509.70		971	975		539.80	944.70
511.00		976	980		541.20	946.90
512.30		981	985		542.60	949.30
513.60		986	990		544.00	951.70
514.80		991	995		545.20	954.10
516.10		996	1000		546.60	956.40
517.20		1001	1005		547.80	958.80
518.50		1006	1010		549.00	961.20
519.80		1011	1015		550.20	963.70
520.70		1016	1020		551.50	965.00
521.80		1021	1025		552.80	967.00
522.90		1026	1030		553.90	969.20
524.10		1031	1035		555.10	971.30
525.20		1036	1040		556.20	973.40
526.40		1041	1045		557.50	975.60
527.80		1046	1050		558.80	977.70
528.80		1051	1055		559.80	979.70
529.80		1056	1060		561.10	982.00
531.00		1061	1065		562.40	984.00
532.20		1066	1070		563.60	986.30
533.30		1071	1075		564.80	988.30
534.40		1076	1080		566.00	990.60
535.60		1081	1085		567.30	992.60
536.70		1086	1090		568.40	994.70
537.90		1091	1095		569.70	996.90
539.10		1096	1100		571.00	999.00
540.10		1101	1105		572.00	1001.00
541.80		1106	1110		573.30	1003.20
542.60		1111	1115		574.60	1005.30
543.80		1116	1120		575.70	1007.60
544.80		1121	1125		577.00	1009.60
545.90		1126	1130		578.20	1011.90
547.10		1131	1135		579.40	1013.80
548.20		1136	1140		580.60	1016.10
549.40		1141	1145		581.90	1018.20
550.80		1146	1150		583.10	1020.30
551.80		1151	1155		584.20	1022.30
552.80		1156	1160		585.40	1024.40
554.00		1161	1165		586.70	1026.60
555.10		1166	1170		587.90	1028.90
556.30		1171	1175		589.20	1030.90

(I) (Primary insurance benefit under 1939 Act, as modified)		(II) (Primary insurance amount effective for June 1978)	(III) (Average monthly wage)		(IV) (Primary insurance amount)	(V) (Maximum family benefits)
If an individual's primary insur- ance benefit (as determined under subsec. (d)) is—		Or his primary insurance amount (as determined under subsec. (c)) is—	Or his average monthly wage (as determined under subsec. (b)) is—		The amount referred to in the preceding paragraphs of this subsection shall be—	And the maximum amount of benefits pay- able (as pro- vided in sec. 203(a)) on the basis of his wages and self-employ- ment income shall be—
At least—	But not more than—		At least—	But not more than—		
.....		537.40	1176	1180	590.30	1033.00
.....		538.40	1181	1185	591.40	1034.90
.....		539.50	1186	1190	592.60	1036.90
.....		540.60	1191	1195	593.70	1038.90
.....		541.60	1196	1200	594.80	1040.90
.....		542.70	1201	1205	595.90	1042.80
.....		543.80	1206	1210	597.10	1044.80
.....		544.80	1211	1215	598.20	1046.80
.....		545.90	1216	1220	599.30	1048.80
.....		546.90	1221	1225	600.40	1050.70
.....		548.00	1226	1230	601.60	1052.70
.....		549.10	1231	1235	602.70	1054.60
.....		570.10	1236	1240	603.80	1056.70
.....		571.20	1241	1245	605.00	1058.60
.....		572.30	1246	1250	606.10	1060.60
.....		573.30	1251	1255	607.20	1062.50
.....		574.40	1256	1260	608.30	1064.60
.....		575.50	1261	1265	609.50	1066.50
.....		576.50	1266	1270	610.60	1068.50
.....		577.60	1271	1275	611.70	1070.40
.....		578.60	1276	1280	612.80	1072.40
.....		579.80	1281	1285	613.90	1074.20
.....		580.80	1286	1290	614.90	1076.10
.....		581.80	1291	1295	616.00	1077.90
.....		582.90	1296	1300	617.00	1079.80
.....		583.60	1301	1305	618.10	1081.60
.....		584.60	1306	1310	619.10	1083.50
.....		585.80	1311	1315	620.20	1085.30
.....		586.80	1316	1320	621.30	1087.20
.....		587.80	1321	1325	622.40	1089.00
.....		588.60	1326	1330	623.40	1090.90
.....		589.60	1331	1335	624.40	1092.70
.....		590.80	1336	1340	625.50	1094.60
.....		591.80	1341	1345	626.60	1096.40
.....		592.80	1346	1350	627.60	1098.30
.....		593.60	1351	1355	628.70	1100.10
.....		594.60	1356	1360	629.70	1102.00
.....		595.60	1361	1365	630.80	1103.80
.....		596.80	1366	1370	631.80	1106.80
.....		597.80	1371	1375	632.90	1107.60

(a) (1) (A) *The primary insurance amount of an individual (except as otherwise provided in this section) is equal to the sum of—*

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

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

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

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

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

(I) *the average of the wages (as defined in section 230(e)) of all employees as reported to the Secretary of the Treasury for the second calendar year preceding the calendar year for which the determination is made, by*

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

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

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

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

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

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

(ii) *For purposes of the preceding clause, the term "years of coverage" means the number (not exceeding 30) equal to the sum of (I) the number (not exceeding 14 and disregarding any fraction) determined by dividing (a) the total of the wages credited to the individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by (b)*

\$900, plus (II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (B) (ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, and compensation under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year.

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

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

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

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

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

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

(3) (A) Except as otherwise provided by paragraph (4), paragraph (1) applies to—

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

(I) becomes eligible for that benefit,

(II) becomes eligible for a disability insurance benefit, or

(III) dies, and

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

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

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

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

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

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

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

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

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

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

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

Average Monthly Wage

[(b) (1) For the purposes of column III of the table appearing in subsection (a) of this section, an individual's "average monthly wage" shall be the quotient obtained by dividing—

[(A) the total of his wages paid in and self-employment income credited to his "benefit computation years" (determined under paragraph (2)), by

[(B) the number of months in such years.

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

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

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

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

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

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

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

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

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

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

[(C) whose primary insurance amount is required to be recomputed under subsection (f) (2).]

(b) (1) *The amount of an individual's average indexed monthly earnings is equal to the quotient obtained by dividing—*

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

(B) *the number of months in those years.*

(2) (A) *The number of an individual's benefit computation years equals the number of elapsed years, reduced by five, except that the*

number of an individual's benefit computation years may not be less than two.

(B) For purposes of this subsection—

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

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

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

(II) in the case of an individual who has died, the year succeeding the year of his death;
except that such term excludes any calendar year entirely included in a period of disability; and

(iii) the term "number of elapsed years" means, in the case of any individual except as otherwise provided by section 104(j) of the Social Security Amendments of 1972 (Public Law 92-603), the number of calendar years after 1950 (or, if later, the year in which the individual attained age 21) and before the year in which the individual died, or, if it occurred after 1960, the year in which he attained age 62; except that such term excludes any calendar year any part of which is included in a period of disability.

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

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

(ii) the quotient obtained by dividing—

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

(II) the average of the wages (as so defined) of all employees as reported to the Secretary of the Treasury for the computation base year for which the determination is made.

(B) *Wages paid in or self-employment income credited to an individual's computation base year—*

(i) which occurs after the second calendar year specified in subparagraph (A) (ii) (I), where applicable, or

(ii) in a year which under subsection (f) (2) (C) is considered to be the last year of the period specified in subsection (b) (2)

(B) (ii),

are available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

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

(5) [Repealed].

Primary Insurance Amount Under Prior Provisions

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

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

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

Primary Insurance Benefit Under 1939 Act

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

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

[(B) For purposes of subparagraphs (B) and (C) of subsection (b) (2), an individual whose total wages prior to 1951 (as defined in subparagraph (C) of this subsection)—

[(i) do not exceed \$27,000 shall be deemed to have been paid such wages in equal parts in nine calendar years after 1936 and prior to 1951;

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

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

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

(A) *The individual's average monthly wage shall be determined as provided in subsection (b) of this section, as in effect in December 1977 (but without regard to paragraph (4) thereof), except that for purposes of paragraphs (2)(C) and (3) of that subsection (as so in effect), 1936 shall be used instead of 1950.*

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

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

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

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

suant to this title, and (iv) wages deemed paid prior to 1951 to such individual under section 231.

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

(D) The individual's primary insurance benefits shall be 40 per centum of the first \$50 of his average monthly wage as computed under this subsection, plus 10 per centum of the next \$200 of his average monthly wage; increased by 1 per centum for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual's total wages prior to 1951 divided by \$1,650 (disregarding any fraction).

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

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

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

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

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

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

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

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

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

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

Certain Wages and Self-Employment Income Not To Be Counted

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

(1) in computing an individual's **[average monthly wage]** *average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage*, there shall not be counted the excess over \$3,600 in the case of any calendar year after 1950 and before 1955, the excess over \$4,200 in the case of any calendar year after 1954 and before 1959,

the excess over \$4,800 in the case of any calendar year after 1958 and before 1966, the excess over \$6,600 in the case of any calendar year after 1965 and before 1968, the excess over \$7,800 in the case of any calendar year after 1967 and before 1972, the excess over \$9,000 in the case of any calendar year after 1971 and before 1973, the excess over \$10,800 in the case of any calendar year after 1972 and before 1974, the excess over \$13,200 in the case of any calendar year after 1973 and before 1975, and the excess over an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 with respect to which such contribution and benefit base is effective (*before the application, in the case of average indexed monthly earnings, of subsection (b) (3) (A)*) of (A) the wages paid to him in such year, plus (B) the self-employment income credited to such year (as determined under section 212); and

(2) if an individual's **[average monthly wage]** *average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage,* computed under subsection (b) or for the purposes of subsection (d) is not a multiple of \$1, it shall be reduced to the next lower multiple of \$1.

Recomputation of Benefits

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

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

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

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

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

(B) *For the purpose of applying subparagraph (A) of subsection (a)(1) to the average indexed monthly earnings of an individual to*

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

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

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

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

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

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

Sec. 215 (f) (3) is repealed.

[(4) Any recomputation under this subsection shall be effective only if such recomputation results in a higher primary insurance amount.]

(4) *A recomputation is effective under this subsection only if it results in a primary insurance amount that is at least \$1.00 higher than the previous primary insurance amount.*

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

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

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

Rounding of Benefits

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

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

his children, or, if he has died, to his widow and children, under subchapter III of chapter 83 of title 5, United States Code, on the basis of such service.

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

Cost-of-Living Increases in Benefits

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

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

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

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

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

[(ii) If the Secretary determines that the base quarter in any year is a cost-of-living computation quarter, he shall, effective with the month of June of such year as provided in subparagraph (B), increase the benefit amount of each individual who for such month is entitled to benefits under section 227 or 228, and the primary insurance amount of each other individual under this title (but not including a primary insurance amount determined under subsection (a) (3) of this section), by an amount derived by multiplying each such amount (including each such individual's primary insurance amount or benefit amount under section 227 or 228 as previously increased under this subpara-

graph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for such cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1) (B). Any such increased amount which is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.]

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

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

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

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

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

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

(B) The increase provided by subparagraph (A) with respect to a particular cost-of-living computation quarter shall apply in the case of monthly benefits under this title for months after May of the calen-

dar year in which occurred such cost-of-living computation quarter, and in the case of lump-sum death payments with respect to deaths occurring after May of such calendar year.

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

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

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

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

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

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

[(iv) The amounts on each line of column IV and column V shall be increased from the amounts shown in the table immediately prior to its revision by increasing each such amount by the percentage specified in subparagraph (A) (ii) of this paragraph. The amount on each line of column V shall be increased, if necessary, so that such amount is at least equal to one and one-half times the amount shown on the corresponding line in column IV.

Any such increased amount which is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.

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

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

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

* * * * *

Benefits in Case of Veterans

Sec. 217. (a) (1) * * *

(b) (1) Any World War II veteran who died during the period of three years immediately following his separation from the active mili-

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

(A) a larger such benefit or payment, as the case may be, would be payable without its application;

(B) any pension or compensation is determined by the Veterans' Administration to be payable by it on the basis of the death of such veteran;

(C) the death of the veteran occurred while he was in the active military or naval service of the United States; or

(D) such veteran has been discharged or released from the active military or naval service of the United States subsequent to July 26, 1951.

* * * * *

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

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

(1) such individual is entitled to benefits under section 223, and

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

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

(3) such total of benefits under sections 223 and 202 for such month, and

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

exceeds the higher of—

(5) 80 per centum of his "average current earnings", or

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

In no case shall the reduction in the total of such benefits under sections 223 and 202 for a month (in a continuous period of months) reduce such total below the sum of—

(7) the total of the benefits under sections 223 and 202, after reduction under this section, with respect to all persons entitled to benefits on the basis of such individual's wages and self-employment income for such month which were determined for such individual and such persons for the first month for which reduction under this section was made (or which would have been so determined if all of them had been so entitled in such first month), and

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

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

* * * * *

Entitlement to Hospital Insurance Benefits

Sec. 226.

(a) * * *

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

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

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

* * * * *

(4) *For the purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsection (b) (2) (A), the entitlement of such individual to widow's or widower's insurance benefits under section 202 (e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202(j) (4).*

* * * * *

Adjustment of the Contribution and Benefit Base

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

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

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

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

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

(c) For purposes of this section, and for purposes of determining wages and self-employment income under sections 209, 211, 213, and 215 of this Act and sections 1402, 3121, 3122, 3125, 6413, and 6654 of the Internal Revenue Code of 1954, the "contribution and benefit base" with respect to remuneration paid in (and taxable years beginning in) any calendar year after 1973 and prior to the calendar year with

the June of which the first increase in benefits pursuant to section 215(i) of this Act becomes effective shall be \$13,200 or (if applicable) such other amount as may be specified in a law enacted subsequent to the law which added this section.

For purposes of the employer tax liability under section 3111 of the Internal Revenue Code of 1954 and section 3221(b) of such Code in the case of railroad employment, the contribution and benefit base referred to in paragraph (1) of section 3121(a) of the Internal Revenue Code of 1954 is deemed to be \$50,000 with respect to remuneration paid during calendar years 1979 through 1984, and with respect to calendar years after 1984, \$75,000 or (if higher) the contribution and benefit base as determined under this section without regard to the provisions of this sentence.

(d) Except as otherwise provided by the last sentence of subsection (c) and except for purposes of determining employer tax liability under section 3221(a) of the Internal Revenue Code of 1954, for calendar years 1979, 1981, 1983, and 1985 the contribution and benefit base shall be equal to the amount determined under subsection (b) but as augmented for each such year (and carried forward thereafter) by \$600; and the amount of such base for any such year as so increased shall be deemed to be the amount of such base for such year for purposes of determining any increase, under the preceding provisions of this section, in such base for any succeeding year.

(e) For purposes of subsection (b), the term "wages" for years after 1976 shall have the meaning assigned to such term by section 3401(a) of the Internal Revenue Code of 1954 and section 3121(a) of such Code (but without regard to the operation of section 230 of the Social Security Act as specified therein) to the extent that they are excluded from such section 3401(a). For years before 1977, the term "wages" shall be determined under regulations to be promulgated by the Secretary.

* * * * *

INTERNATIONAL AGREEMENTS

Purpose of Agreement

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

Definitions

(b) For the purposes of this section—

(1) the term "social security system" means, with respect to a foreign country, a social insurance or pension system which is of general application in the country and under which periodic bene-

fits, or the actuarial equivalent thereof, are paid on account of old age, death, or disability; and

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

Crediting Periods of Coverage; Conditions of Payment of Benefits

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

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

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

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

(2) Any such agreement may provide that—

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

(B) the benefit paid by the United States to an individual who legally resides in the United States shall be increased to an amount, which, when added to the benefit paid by such foreign country, will be equal to the benefit amount which would be payable to an entitled individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a)(1)(C)(i)(I) or (II) in the case of an individual becoming eligible for such benefit on or after that date.

(3) *Section 226 shall not apply in the case of any individual to whom it would not be applicable but for this section or any agreement or regulation under this section.*

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

Regulations

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

Reports to Congress; Effective Date of Agreements

(e) (1) *Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress together with a report on the estimated number of individuals who will be affected by the agreement and the effect of the agreement on the estimated income and expenditures of the programs established by this Act.*

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

* * * * *

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

PART A—AID TO FAMILIES WITH DEPENDENT CHILDREN

* * * * *

State Plans for Aid and Services to Needy Families With Children

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

(1) * * *

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

(8) provide that, in making the determination under clause (7), the State agency—

(A) shall with respect to any month disregard—

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

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

(ii) in the case of earned income of a dependent child not included under clause (i), a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, (I) the first \$60 of earned income for individuals who are employed at least forty hours per week, or at least thirty-five hours per week and are earning at least \$92 per week, and (II) the first \$30 of earned income for individuals not meeting the criteria of subclause (I), plus (III) in each case, one-third of up to \$300 of additional earnings, and one-fifth of such additional earnings in excess of \$300, except that in each case an amount equal to the reasonable child care expenses incurred (subject to such limitations as the Secretary may prescribe in regulations) shall first be deducted before computing such individual's earned income (except that the provisions of this clause (ii) shall not apply to earned income derived from participation on a project maintained under the programs established by section 422(b)(2) and (3)); and

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

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

(i) terminated his employment or reduced his earned income without good cause within such period (of not less than 30 days) preceding such month as may be prescribed by the Secretary; or

(ii) refused without good cause, within such period preceding such month as may be prescribed by the Secretary, to accept employment in which he is able to engage which is offered through the public employment offices of the State, or is otherwise offered by an employer if the offer of such employer is determined by the State or local agency administering the State plan, after notification by him, to be a bona fide offer of employment; or

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

* * * * *

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

(28) provide that, in determining the amount of aid to which an eligible family is entitled, any portion of the amounts collected in any particular month as child support pursuant to a plan approved under part D, and retained by the State under section 457, which (under the State plan approved under this part as in effect both during July 1975 and during that particular month) would not have caused a reduction in the amount of aid paid to the family if such amounts had been paid directly to the family, shall be added to the amount of aid otherwise payable to such family under the State plan approved under this part []; and

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

* * * * *

Payment to States

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

(1) in the case of any State other than Puerto Rico, the Virgin Islands, and Guam, an amount equal to the sum of the following proportions of the total amounts expended during such quarter as aid to families with dependent children under the State plan

(including expenditures for premiums under part B of title XVIII for individuals who are recipients of money payments under such plan and other insurance premiums for medical or any other type of remedial care or the cost thereof)—

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

(B) the Federal percentage of the amount by which such expenditures exceed the maximum which may be counted under clause (A), not counting so much of any expenditure with respect to any month as exceeds (i) the product of \$32 multiplied by the total number of recipients of aid to families with dependent children (other than such aid in the form of foster care) for such month, plus (ii) the product of \$100 multiplied by the total number of recipients of aid to families with dependent children in the form of foster care for such month; and

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

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

(A) 75 per centum of so much of such expenditures as are for the training (including both short- and long-term training at educational institutions through grants to such institutions or by direct financial assistance to students enrolled in such institutions) of personnel employed or preparing for employment by the State agency or by the local agency administering the plan in the political subdivision, and

(B) one-half of the remainder of such expenditures, except that no payment shall be made with respect to amounts expended in connection with the provision of any service described in section 2002(a)(1) of this Act other than services the provision of which is required by section 402(a)(19) to be included in the plan of the States; and

(4) [Repealed].

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

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

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

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

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

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

children furnished under the State plan; except that such increases or reductions shall not be made to the extent that such sums have been applied to make the amount certified for any prior quarter greater or less than the amount estimated by the Secretary of Health, Education, and Welfare for such prior quarter.

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

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

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

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

(e) [Repealed]

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

(1) in the immediately preceding fiscal year failed to carry out the provisions of section 402(a)(15)(B) as pertain to requiring the offering and arrangement for provision of family planning services; or

(2) in the immediately preceding fiscal year (but, in the case of the fiscal year beginning July 1, 1972, only considering the third and fourth quarters thereof), failed to carry out the provisions of section 402(a)(15)(B) of the Social Security Act with respect to any individual who, within such period or periods as the Secretary may prescribe, has been an applicant for or recipient of aid to families with dependent children under the plan of the State approved under this part.

(g) Notwithstanding any other provision of this section, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters in fiscal years beginning after June 30, 1974, be reduced by 1 per centum (calculated without regard to any reduction under section 403(f)) of such amount if such State fails to—

(1) inform all families in the State receiving aid to families with dependent children under the plan of the State approved under this part of the availability of child health screening services under the plan of such State approved under title XIX,

(2) provide or arrange for the provision of such screening services in all cases where they are requested, or

(3) arrange for (directly or through referral to appropriate agencies, organizations, or individuals) corrective treatment the need for which is disclosed by such child health screening services.

(h) Notwithstanding any other provision of this Act, the amount payable to any State under this part for quarters in a fiscal year shall with respect to quarters beginning after December 31, 1976, be reduced by 5 per centum of such amount if such State is found by the Secretary as the result of the annual audit to have failed to have an effective program meeting the requirements of section 402(a)(27) in any fiscal year beginning after September 30, 1976 (but, in the case of the fiscal year beginning October 1, 1976, only considering the second, third, and fourth quarters thereof).

(i) (1) *In the case of any calendar quarter which begins after September 30, 1977, and prior to April 1, 1978, the amount payable (as determined under subsection (a) or section 1118, as the case may be) to each State, which has a State plan approved under this part, shall (subject to the succeeding paragraphs of this subsection) be increased by an amount equal to the sum of the following:*

(A) *an amount which bears the same ratio to \$100,000,000 as the amount expended as aid to families with dependent children under the State plan of such State during the month of December 1976 bears to the amount expended as aid to families with dependent children under the State plans of all States during such month, and*

(B) (i) *in the case of Puerto Rico, Guam and the Virgin Islands, an amount equal to the amount determined under subparagraph (A) with respect to such State, or*

(ii) *in the case of any other State, an amount which bears the same ratio to \$100,000,000, minus the amounts determined under clause (i) of this subparagraph, as the amount allocated to such State, under section 106 of the State and Local Fiscal Assistance Act of 1972 for the most recent entitlement period for which allocations have been made under such section prior to the date of enactment of this subsection, bears to the total of the amounts allocated to all States under such section 106 for such period.*

(2) *As a condition of any State receiving an increase, by reason of the application of the foregoing provisions of this subsection, in the amount determined for such State pursuant to subsection (a) or under section 1118 (as the case may be), such State must agree to pay to any political subdivision thereof which participates in the cost of the State's plan, approved under this part, during any calendar quarter with respect to which such increase applies, so much of such increase as does not exceed 90 per centum of such political subdivision's financial contribution to the State's plan for such quarter.*

(3) *Notwithstanding any other provision of this part, the amount payable to any State by reason of the preceding provisions of this sub-*

section for calendar quarters prior to April 1, 1978 shall be made in a single installment, which shall be payable as shortly after October 1, 1977 as is administratively feasible.

Incentive Adjustments in Federal Financial Participation

(j) If the dollar error rate of excess payments of aid furnished by a State under its State plan, approved under this part, with respect to any six-month period, as based on samples and evaluations thereof is—

(1) at least 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined without regard to the provisions of this subsection; or

(2) less than 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be the amount determined without regard to this subsection, plus, of the amount by which such expenditures are less than they would have been if the erroneous excess payments of aid had been at a rate of 4 per centum—

(A) 10 per centum of the Federal share of such amount, in case such rate is not less than 3.5 per centum,

(B) 20 per centum of the Federal share of such amount, in case such rate is at least 3.0 per centum but less than 3.5 per centum,

(C) 30 per centum of the Federal share of such amount, in case such rate is at least 2.5 per centum but less than 3.0 per centum,

(D) 40 per centum of the Federal share of such amount, in case such rate is at least 2.0 per centum but less than 2.5 per centum,

(E) 50 per centum of the Federal share of such amount, in case such rate is less than 2.0 per centum.

* * * * *

Access To Wage Information

Sec. 411. (a) Notwithstanding any other provision of law, the Secretary shall make available to States and political subdivisions thereof wage information contained in the records of the Social Security Administration which is necessary (as determined by the Secretary in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children, approved under this part, and which is specifically requested by such State or political subdivision for such purposes.

(b) The Secretary shall establish such safeguards as are necessary (as determined by the Secretary under regulations) to insure that information made available under the provisions of this section is used only for the purposes authorized by this section.

* * * * *

TITLE VII—ADMINISTRATION

* * * * *

Delivery of Benefit Checks

Sec. 708. *Notwithstanding any other provision of this Act, when the normal day for delivery of benefit checks under title II or XVI of this Act would, but for the provisions of this section, fall on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code), benefit checks for such month shall be mailed for delivery on the first day preceding such normal delivery day which is not a Saturday, Sunday, or legal public holiday, without regard to whether the delivery of such checks is made in the same calendar month in which such normal day for delivery would occur.*

* * * * *

TITLE XI—GENERAL PROVISIONS AND PROFESSIONAL STANDARDS REVIEW

PART A—GENERAL PROVISIONS

* * * * *

Demonstration Projects

Sec. 1115. (a) In the case of any experimental, pilot, or demonstration project which, in the judgment of the Secretary, is likely to assist in promoting the objectives of title I, VI, X, XIV, XVI, XIX, or XX, or part A of title IV, in a State or States—

【(a)】 (1) the Secretary may waive compliance with any of the requirements of section 2, 402, 602, 1002, 1402, 1602, 1902, 2002, 2003, or 2004, as the case may be, to the extent and for the period he finds necessary to enable such State or States to carry out such project, and

【(b)】 (2) costs of such project which would not otherwise be included as expenditures under section 3, 403, 603, 1003, 1403, 1603, 1903, or 2002, as the case may be, and which are not included as part of the costs of projects under section 1110, shall, to the extent and for the period prescribed by the Secretary, be regarded as expenditures under the State plan or plans approved under such title, or for administration of such State plan or plans, or expenditures with respect to which payment shall be made under section 2002, as may be appropriate.

In addition, not to exceed \$4,000,000 of the aggregate amount appropriated for payments to States under such titles for any fiscal year beginning after June 30, 1967, shall be available, under such terms and conditions as the Secretary may establish, for payments to States to cover so much of the cost of such project as is not covered by payments under such titles and is not included as part of the cost of projects for purposes of section 1110.

(b) (1) *In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—*

(A) provide that not more than one such project be conducted on a statewide basis;

(B) provide that in making arrangements for public service employment—

(i) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

(ii) such project will not result in the displacement of employed workers,

(iii) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and

(iv) appropriate workmen's compensation protection is provided to all participants;

(C) provide that participation in any such project by any individual receiving aid to families with dependent children be voluntary.

(2) *Any State which establishes and conducts demonstration projects under this subsection, may, subject to paragraph (3), with respect to any such project—*

(A) waive, subject to paragraph (3), any or all of the requirements of sections 402(a)(1) (relating to statewide operation), 402(a)(3) (relating to administration by a single State agency), 402(a)(8) (relating to disregard of earned income), except that no such waiver of 402(a)(8) shall operate to waive any amount in excess of one-half of the earned income of any individual, and 402(a)(19) (relating to the work incentive program);

(B) subject to paragraph (4) use to cover the costs of such projects such funds as are appropriated for payment to any such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under part A of title IV for any fiscal year in which such demonstration projects are conducted; and

(C) use such funds as are appropriated for payments to States under the State and Local Fiscal Assistance Act of 1972 for any fiscal year in which such demonstration projects are conducted to cover so much of the costs of salaries for individuals participating in public service employment as is not covered through the use of funds made available under subparagraph (B).

(3) (A) *Any State which wishes to establish and conduct demonstration projects under the provisions of this subsection shall submit*

an application to the Secretary in such form and containing such information as the Secretary may require. Such State shall be authorized to proceed with such project (i) when said application has been approved by the Secretary, or (ii) 45 days after the date on which such application is submitted unless the Secretary, during such 45 day period, disapproves such application.

(B) Notwithstanding the provisions of paragraph (2)(A), the Secretary may review any waiver made by a State under such paragraph. Upon a finding that any such waiver is inconsistent with the purposes of this subsection and the purposes of part A of title IV, the Secretary may disapprove such waiver. The demonstration project under which any such disapproved waiver was made by such State shall be terminated not later than the last day of the month following the month in which such waiver was disapproved.

(4) Any amount payable to a State under section 403(a) on behalf of an individual participating in a project under this section shall not be increased by reason of the participation of such individual in any demonstration project conducted under this subsection over the amount which would be payable if such individual were receiving aid to families with dependent children and not participating in such project.

(5) Participation in a project established under this section shall not be considered to constitute employment for purposes of any finding with respect to 'unemployment' as that term is used in section 407.

(6) Any demonstration project established and conducted pursuant to the provisions of this subsection shall be conducted for not longer than two years. All demonstration projects established and conducted pursuant to the provisions of this subsection shall be terminated not later than September 30, 1980.

* * * * *

Payments to Certain Public and Nonprofit Employers

Sec. 1132. (a) The Secretary shall, in the case of any State having an agreement under section 218 of the Social Security Act, or any organization described in section 501(c)(3), which is exempt from tax under section 501(a) for the taxable year, pay to each such State or organization (subject to the availability of funds appropriated under the provisions of subsection (c)) an amount determined under subsection (b). In order to receive a payment under this section, a State or organization shall file a claim with respect to the taxable year in such form, manner, and at the time prescribed by the Secretary by regulations. The Secretary shall certify to the Secretary of the Treasury the name and address of each State or organization eligible to receive such payment, the amount of such payment, and the time at which such payment should be made, and the Secretary of the Treasury, through the Fiscal Service of the Treasury Department, shall make payments in accordance with the certification of the Secretary.

(b) (1) *The amount payable to a State under subsection (a) for the taxable year shall (subject to the provisions of subsection (c)) be equal to 50 percent of that portion of the amount paid by such State under the provisions of section 218(e) (1) (A) with respect to remuneration paid to individuals as employees of such State (or any political subdivision thereof) during the taxable year, which amount—*

(A) was paid as the amount equivalent to the taxes which would be imposed by section 3111 of the Internal Revenue Code of 1954 if the services of employees covered by such State's agreement under section 218 constituted employment as defined in section 3121 of such code and

(B) was paid with respect to remuneration paid to individuals as employees of such State (or any political subdivision thereof) which remuneration was in excess (with respect to any individual during the taxable year) of the contribution and benefit base applicable with respect to such taxable year, under the provisions of section 230 as such section applies to employees.

(2) *The amount payable under subsection (a) to an organization described in section 501(c) (3) of such Code, which is exempt from tax under section 501(a) of such Code for the taxable year, shall be equal to 50 percent of that portion of the taxes paid by such organization under section 3111 of such Code, which taxes—*

(A) were paid with respect to remuneration paid to individuals as employees of such organization during the taxable year, and

(B) were paid with respect to remuneration paid to individuals as employees of such organization which remuneration was in excess (with respect to any individual during the taxable year) of the contribution and benefit base applicable with respect to such taxable year, under the provisions of section 230 as such section applies to employees.

(c) *There are authorized to be appropriated such sums as are necessary to carry out the provisions of this section. If the sums appropriated for any fiscal year for making payments under this section are insufficient to pay in full the total amounts which States and organizations are authorized to receive under this section during such fiscal year, the maximum amounts which all such States and organizations may receive under this section during such fiscal year shall be ratably reduced. In case additional funds become available for making such payments for any fiscal year during which the preceding sentence is applicable, such reduced amounts shall be increased on the same basis as they were reduced.*

(d) *Any State receiving a payment under the provisions of this section shall agree to pay (and any such payment shall be made on the condition that such State pay) to any political division thereof a percentage of such payment which percentage shall be equal to the percentage of the amount paid by such State under section 218(e) (1) (A) for which such State was reimbursed by such political subdivision.*

* * * * *

**TITLE XVIII—HEALTH INSURANCE FOR THE AGED AND
DISABLED**

* * * * *

Amounts of Premiums

Sec. 1839. (a) * * *

(c) (1) * * *

(3) The Secretary shall, during December of 1972 and of each year thereafter, determine and promulgate the monthly premium applicable for the individuals enrolled under this part for the 12-month period commencing July 1 in the succeeding year. The monthly premium shall be equal to the smaller of—

(A) the monthly actuarial rate for enrollees age 65 and over, determined according to paragraph (1) of this subsection, for that 12-month period, or

[(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph or, in the case of the determination made in December 1971, such rate promulgated under subsection (b) (2) multiplied by the ratio of (i) the amount in column IV of the table which, by reason of the law in effect at the time the promulgation is made, will be in effect as of May 1 next following such determination appears (or is deemed to appear) in section 215(a) on the line which includes the figure "750" in column III of such table to (ii) the amount in column IV of the table which appeared (or was deemed to appear) in section 215(a) on the line which included the figure "750" in column III as of May 1 of the year in which such determination is made.]

(B) *the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215(a) (1), based upon average indexed monthly earnings of \$900, that applied to individuals who became eligible for and entitled to old-age insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount is increased when, by reason of the law in effect at the time the promulgation is made, it is so computed to apply to those individuals on the following May 1.*

* * * * *

**SELECTED PROVISIONS OF THE INTERNAL
REVENUE CODE OF 1954**

26 U.S.C. 1—

SUBTITLE A—INCOME TAXES

* * * * *

CHAPTER 2—TAX ON SELF-EMPLOYMENT INCOME

SEC. 1401. RATE OF TAX

(a) **OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.**—In addition to other taxes, there shall be imposed for each taxable year, on the

self-employment income of every individual, a tax *as follows*: [equal to 7.0 percent of the amount of the self-employment income for such taxable year.]

(1) *in the case of any taxable year beginning after December 31, 1972, and before January 1, 1978, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;*

(2) *in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;*

(3) *in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 7.05 percent of the amount of the self-employment income for such taxable year;*

(4) *in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 8.00 percent of the amount of the self-employment income for such taxable year;*

(5) *in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the tax shall be equal to 8.50 percent of the amount of the self-employment income for such taxable year;*

(6) *in the case of any taxable year beginning after December 31, 1989, and before January 1, 1995, the tax shall be equal to 9.15 percent of the amount of the self-employment income for such taxable year;*

(7) *in the case of any taxable year beginning after December 31, 1994, and before January 1, 2001, the tax shall be equal to 10.05 percent of the amount of the self-employment income for such taxable year;*

(8) *in the case of any taxable year beginning after December 31, 2000, and before January 1, 2011, the tax shall be equal to 10.95 percent of the amount of the self-employment income for such taxable year; and*

(9) *in the case of any taxable year beginning after December 31, 2010, the tax shall be equal to 11.70 percent of the amount of the self-employment income for such taxable year.*

(b) HOSPITAL INSURANCE.—In addition to the tax imposed by the preceding subsection, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

(1) *in the case of any taxable year beginning after December 31, 1973, and before January 1, 1978, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year;*

[(2) *in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 1.10 percent of the amount of the self-employment income for such taxable year;*

[(3) *in the case of any taxable year beginning after December 31, 1980, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and*

[(4) *in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.50 percent of the self-employment income for such taxable year.*]

(2) *in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal*

to 1.00 percent of the amount of the self-employment income for such taxable year;

(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 1.05 percent of the amount of the self-employment income for such taxable year;

(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 1.25 percent of the amount of the self-employment income for such taxable year;

(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and

(6) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.40 percent of the amount of the self-employment income for such taxable year.

(c) *RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.*—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, the self-employment income of an individual shall be exempt from the taxes imposed by this section to the extent that such self-employment income is subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.

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SUBTITLE C—EMPLOYMENT TAXES

CHAPTER 21—FEDERAL INSURANCE CONTRIBUTIONS ACT

SUBCHAPTER A—TAX ON EMPLOYEES

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SEC. 3101. RATE OF TAX.

(a) *OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.*—In addition to other taxes, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b))—

[(1) with respect to wages received during the calendar years 1974 through 2010, the rate shall be 4.95 percent; and

[(2) with respect to wages received after December 31, 2010, the rate shall be 5.95 percent.]

(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

(2) with respect to wages received during the calendar year 1978, the rate shall be 5.05 percent;

(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 5.085 percent;

(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 5.35 percent;

(5) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.65 percent;

(6) with respect to wages received during the calendar years 1990 through 1994, the rate shall be 6.10 percent;

(7) with respect to wages received during the calendar years 1995 through 2000, the rate shall be 6.70 percent;

(8) with respect to wages received during the calendar years 2001 through 2010, the rate shall be 7.30 percent; and

(9) with respect to wages received after December 31, 2010, the rate shall be 7.80 percent.

(b) **HOSPITAL INSURANCE.**—In addition to the tax imposed by the preceding subsection, there is hereby imposed on the income of every individual a tax equal to the following percentages of the wages (as defined in section 3121(a)) received by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

[(2) with respect to wages received during the calendar years 1978 through 1980, the rate shall be 1.10 percent;

[(3) with respect to wages received during the calendar years 1981 through 1985, the rate shall be 1.35 percent; and

[(4) with respect to wages received after December 31, 1985, the rate shall be 1.50 percent.]

(2) with respect to wages received during the calendar year 1978, the rate shall be 1.00 percent;

(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 1.25 percent;

(5) with respect to wages received during the calendar year 1985, the rate shall be 1.35 percent; and

(6) with respect to wages received after December 31, 1985, the rate shall be 1.40 percent.

(c) **RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.**—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the extent that such wages are subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.

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SUBCHAPTER B—TAX ON EMPLOYERS

* * * * *

SEC. 3111. RATE OF TAX.

(a) **OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.**—In addition to other taxes, there is hereby imposed on every employer an excise

tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))—

[(1) with respect to wages paid during the calendar years 1974 through 2010, the rate shall be 4.95 percent; and

[(2) with respect to wages paid after December 31, 2010, the rate shall be 5.95 percent.]

(1) *with respect to wages paid during the calendar year 1974 through 1977, the rate shall be 4.95 percent;*

(2) *with respect to wages paid during the calendar year 1978, the rate shall be 5.05 percent;*

(3) *with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 5.085 percent;*

(4) *with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 5.35 percent;*

(5) *with respect to wages paid during the calendar years 1985 through 1989, the rate shall be 5.65 percent;*

(6) *with respect to wages paid during the calendar years 1990 through 1994, the rate shall be 6.10 percent;*

(7) *with respect to wages paid during the calendar years 1995 through 2000, the rate shall be 6.70 percent;*

(8) *with respect to wages paid during the calendar years 2001 through 2010, the rate shall be 7.30 percent; and*

(9) *with respect to wages paid after December 31, 2010, the rate shall be 7.80 percent.*

(b) **HOSPITAL INSURANCE.**—In addition to the tax imposed by the preceding subsection, there is hereby imposed on every employer an excise tax, with respect to having individuals in his employ, equal to the following percentages of the wages (as defined in section 3121(a)) paid by him with respect to employment (as defined in section 3121(b))—

(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

[(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 1.10 percent;

[(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.35 percent; and

[(4) with respect to wages paid after December 31, 1985, the rate shall be 1.50 percent.]

(2) *with respect to wages paid during the calendar year 1978, the rate shall be 1.00 percent;*

(3) *with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 1.06 percent;*

(4) *with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 1.25 percent;*

(5) *with respect to wages paid during the calendar year 1985, the rate shall be 1.35 percent; and*

(6) *with respect to wages paid after December 31, 1985, the rate shall be 1.40 percent.*

(c) **RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.**—During any period in which there is in effect an

agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the extent that such wages are subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country.

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SUBCHAPTER C—GENERAL PROVISIONS

SEC. 3121. DEFINITIONS.

* * * * *

(k) EXEMPTION OF RELIGIOUS, CHARITABLE, AND CERTAIN OTHER ORGANIZATIONS

(1) **WAIVER OF EXEMPTION BY ORGANIZATION.**—(A) An organization described in section 501(c)(3) which is exempt from income tax under section 501(a) may file a certificate (in such form and manner, and with such official, as may be prescribed by regulations made under this chapter) certifying that it desires to have the insurance system established by title II of the Social Security Act extended to service performed by its employees. Such certificate may be filed only if it is accompanied by a list containing the signature, address, and social security account number (if any) of each employee (if any) who concurs in the filing of the certificate. Such list may be amended at any time prior to the expiration of the twenty-fourth month following the calendar quarter in which the certificate is filed by filing with the prescribed official a supplemental list or lists containing the signature, address, and social security account number (if any) of each additional employee who concurs in the filing of the certificate. The list and any supplemental list shall be filed in such form and manner as may be prescribed by regulations made under this chapter.

(B) The certificate shall be in effect (for purposes of subsection (b)(8)(B) and for purposes of section 210(a)(8)(B) of the Social Security Act) for the period beginning with whichever of the following may be designated by the organization:

(i) the first day of the calendar quarter in which the certificate is filed,

(ii) the first day of the calendar quarter succeeding such quarter, or

(iii) the first day of any calendar quarter preceding the calendar quarter in which the certificate is filed, except that, such date may not be earlier than the first day of the twentieth calendar quarter preceding the quarter in which such certificate is filed.

(C) In the case of service performed by an employee whose name appears on a supplemental list filed after the first month following the calendar quarter in which the certificate is filed, the certificate shall be in effect (for purposes of subsection (b)(8)(B) and for purposes of section 210(a)(8)(B) of the Social Security Act) only with respect to service performed by such individual for the period begin-

ning with the first day of the calendar quarter in which such supplemental list is filed.

(D) The period for which a certificate filed pursuant to this subsection or the corresponding subsection of prior law is effective may be terminated by the organization, effective at the end of a calendar quarter, upon giving 2 years' advance notice in writing, but only if, at the time of the receipt of such notice, the certificate has been in effect for a period of not less than 8 years. The notice of termination may be revoked by the organization by giving, prior to the close of the calendar quarter specified in the notice of termination, a written notice of such revocation. Notice of termination or revocation thereof shall be filed in such form and manner, and with such official, as may be prescribed by regulations made under this chapter.

(E) If an organization described in subparagraph (A) employs both individuals who are in positions covered by a pension, annuity, retirement, or similar fund or system established by a State or by a political subdivision thereof and individuals who are not in such positions, the organization shall divide its employees into two separate groups. One group shall consist of all employees who are in positions covered by such a fund or system and (i) are members of such fund or system, or (ii) are not members of such fund or system but are eligible to become members thereof, and the other group shall consist of all remaining employees. An organization which has so divided its employees into two groups may file a certificate pursuant to subparagraph (A) with respect to the employees in either group, or may file a separate certificate pursuant to such subparagraph with respect to the employees in each group.

(F) If a certificate filed pursuant to this paragraph is effective for one or more calendar quarters prior to the quarter in which the certificate is filed, then—

(i) for purposes of computing interest and for purposes of section 6651 (relating to addition to tax for failure to file tax return or pay tax), the due date for the return and payment of the tax for such prior calendar quarters resulting from the filing of such certificate shall be the last day of the calendar month following the calendar quarter in which the certificate is filed; and

(ii) the statutory period for the assessment of such tax shall not expire before the expiration of 3 years from such due date.

(2) **TERMINATION OF WAIVER PERIOD BY SECRETARY.**—If the Secretary finds that any organization which filed a certificate pursuant to this subsection or the corresponding subsection of prior law has failed to comply substantially with the requirements applicable with respect to the taxes imposed by this chapter or the corresponding provisions of prior law or is no longer able to comply with the requirements applicable with respect to the taxes imposed by this chapter, the Secretary shall give such organization not less than 60 days' advance notice in writing that the period covered by such certificate will terminate at the end of the calendar quarter specified in such notice. Such notice of termination may be revoked by the Secretary by giving, prior to the close of the calendar quarter specified in the notice of termination, written notice of such revocation to the organization. No notice of termination or of revocation thereof shall be given under this paragraph to orga-

nization without the prior concurrence of the Secretary of Health, Education, and Welfare.

(3) **NO RENEWAL OF WAIVER.**—In the event the period covered by a certificate filed pursuant to this subsection or the corresponding subsection of prior law is terminated by the organization, no certificate may again be filed by such organization pursuant to this subsection.

(4) **CONSTRUCTIVE FILING OF CERTIFICATE WHERE NO REFUND OR CREDIT OF TAXES HAS BEEN MADE.**—(A) In any case where—

“(i) an organization described in section 501(c)(3) which is exempt from income tax under section 501(a) has not filed a valid waiver certificate under paragraph (1) of this subsection (or under the corresponding provision of prior law) as of the date of the enactment of this paragraph [or any subsequent date] *(or, if later, as of the earliest date on which it satisfies clause (ii) of this subparagraph)* but

(ii) the taxes imposed by sections 3101 and 3111 have been paid with respect to the remuneration paid by such organization to its employees, as though such a certificate had been filed, during any period (subject to subparagraph (B)(i)) of not less than three consecutive calendar quarters,

such organization shall be deemed (except as provided in subparagraph (B) of this paragraph) for purposes of subsection (b)(8)(B) and section 210(a)(8)(B) of the Social Security Act, to have filed a valid waiver certificate under paragraph (1) of this subsection (or under the corresponding provision of prior law) on the first day of the period described in clause (ii) of this subparagraph effective *(subject to subparagraph (C))* on the first day of the calendar quarter in which such period began, and to have accompanied such certificate with a list containing the signature, address, and social security number (if any) of each employee with respect to whom the taxes described in such subparagraph were paid (and each such employee shall be deemed for such purposes to have concurred in the filing of the certificate).

(B) Subparagraph (A) shall not apply with respect to any organization if—

(i) the period referred to in clause (ii) of such subparagraph (in the case of that organization) terminated before the end of the earliest calendar quarter falling wholly or partly within the time limitation (as defined in section 205(c)(1)(B) of the Social Security Act) immediately preceding the date of the enactment of this paragraph, or

(ii) a refund or credit of any part of the taxes which were paid as described in clause (ii) of such subparagraph with respect to remuneration for services performed on or after the first day of the earliest calendar quarter falling wholly or partly within the time limitation (as defined in section 205(c)(1)(B) of the Social Security Act) immediately preceding the date of enactment of this paragraph (other than a refund or credit which would have been allowed if a valid waiver certificate filed under paragraph (1) had been in effect) has been obtained by the organization or its employees prior to September 9, 1976.

(C) *In the case of any organization which is deemed under this paragraph to have filed a valid waiver certificate under paragraph (1), if—*

(i) the period with respect to which the taxes imposed by sections 3101 and 3111 were paid by such organization (as described in subparagraph (A) (ii)) terminated prior to October 1, 1976, or

(ii) the taxes imposed by sections 3101 and 3111 were not paid during the period referred to in clause (i) (whether such period has terminated or not) with respect to remuneration paid by such organization to individuals who became its employees after the close of the calendar quarter in which such period began,

taxes under sections 3101 and 3111—

(iii) in the case of an organization which meets the requirements of this subparagraph by reason of clause (i), with respect to remuneration paid by such organization after the termination of the period referred to in clause (i) and prior to July 1, 1977; or

(iv) in the case of an organization which meets the requirements of this subparagraph by reason of clause (ii), with respect to remuneration paid prior to July 1, 1977, to individuals who became its employees after the close of the calendar quarter in which the period referred to in clause (i) began,

which remain unpaid on the date of the enactment of this subparagraph, or which were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph, shall not be due or payable (or, if paid, shall be refunded); and the certificate which such organization is deemed under this paragraph to have filed shall not apply to any service with respect to the remuneration for which the taxes imposed by sections 3101 and 3111 (which remain unpaid on the date of the enactment of this subparagraph, or were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph) are not due and payable (or are refunded) by reason of the preceding provisions of this subparagraph. In applying this subparagraph for purposes of title II of the Social Security Act, the period during which reports of wages subject to the taxes imposed by sections 3101 and 3111 were made by any organization may be conclusively treated as the period (described in subparagraph (A) (ii)) during which the taxes imposed by such sections were paid by such organization.

(5) CONSTRUCTIVE FILING OF CERTIFICATE WHERE REFUND OR CREDIT HAS BEEN MADE AND NEW CERTIFICATE IS NOT FILED.—In any case where—

(A) an organization described in section 501(c)(3) which is exempt from income tax under section 501(a) would be deemed under paragraph (4) of this subsection to have filed a valid waiver certificate under paragraph (1) if it were not excluded from such paragraph (4) (pursuant to subparagraph (B) (ii) thereof) because a refund or credit of all or a part of the taxes described in paragraph (4) (A) (ii) was obtained prior to September 9, 1976; and

(B) such organization has not, [prior to the expiration of 180 days after the date of the enactment of this paragraph.] *prior to January 1, 1978,* filed a valid waiver certificate under paragraph (1) which is effective for a period beginning on or before the first

day of the first calendar quarter with respect to which such refund or credit was made (or, if later, with the first day of the earliest calendar quarter for which such certificate may be in effect under paragraph (1)(B)(iii)) and which is accompanied by the list described in paragraph (1)(A),

such organization shall be deemed, for purposes of subsection (b)(8)(B) and section 210(a)(8)(B) of the Social Security Act, to have filed a valid waiver certificate under paragraph (1) of this subsection on [the 181st day after the date of the enactment of this paragraph,] *January 1, 1978*, effective for the period beginning on the first day of the first calendar quarter with respect to which the refund or credit referred to in subparagraph (A) of this paragraph was made (or, if later, with the first day of the earliest calendar quarter falling wholly or partly within the time limitation (as defined in section 205(c)(1)(B) of the Social Security Act) immediately preceding the date of the enactment of this paragraph), and to have accompanied such certificate with a list containing the signature, address, and social security number (if any) of each employee described in subparagraph (A) of paragraph (4) including any employee with respect to whom taxes were refunded or credited as described in subparagraph (A) of this paragraph (and each such employee shall be deemed for such purposes to have concurred in the filing of the certificate). A certificate which is deemed to have been filed by an organization on [such 181st day] *January 1, 1978*, shall supersede any certificate which may have been actually filed by such organization prior to that day except to the extent prescribed by the Secretary or his delegate.

(6) APPLICATION OF CERTAIN PROVISIONS TO CASES OF CONSTRUCTIVE FILING.—All of the provisions of this subsection (other than subparagraphs (B), (F), and (H) of paragraph (1)), including the provisions requiring payment of taxes under sections 3101 and 3111 with respect to the services involved (*except as provided in paragraph (4)(c)*), shall apply with respect to any certificate which is deemed to have been filed by an organization on any day under paragraph (4) or (5), in the same way they would apply if the certificate had been actually filed on that day under paragraph (1); except that—

(A) the provisions relating to the filing of supplemental lists of concurring employees in the third sentence of paragraph (1)(A), and in paragraph (1)(C), shall apply to the extent prescribed by the Secretary;

(B) the provisions of paragraph (1)(E) shall not apply unless the taxes described in paragraph (4)(A)(ii) were paid by the organization as though a separate certificate had been filed with respect to one or both of the groups to which such provisions relate; and

(C) the action of the organization in obtaining the refund or credit described in paragraph (5)(A) shall not be considered a termination of such organization's coverage period for purposes of paragraph (3). Any organization which is deemed to have filed a waiver certificate under paragraph (4) or (5) shall be considered for purposes of section 3102(b) to have been required to deduct the taxes imposed by section 3101 with respect to the services involved.

(7) BOTH EMPLOYEE AND EMPLOYER TAXES PAYABLE BY ORGANIZATION FOR RETROACTIVE PERIOD IN CASES OF CONSTRUCTIVE FILING.—Notwithstanding any other provision of this chapter, in any case where an organization described in paragraph (5)(A) has not filed a valid waiver certificate under paragraph (1) [prior to the expiration of 180 days after the date of the enactment of this paragraph] *prior to January 1, 1978*, and is accordingly deemed under paragraph (5) to have filed such a certificate on [the 181st day after such date,] *January 1, 1978*, the taxes due under section 3101, with respect to services constituting employment by reason of such certificate for any period [prior to the first day of the calendar quarter in which such 181st day occurs] *prior to that date* (along with the taxes due under section 3111 with respect to such services and the amount of any interest paid in connection with the refund or credit described in paragraph (5)(A)) shall be paid by such organization from its own funds and without any deduction from the wages of the individuals who performed such services; and those individuals shall have no liability for the payment of such taxes.

[(8) EXTENDED PERIOD FOR PAYMENT OF TAXES FOR RETROACTIVE COVERAGE.—Notwithstanding any other provision of this title, in any case where an organization described in paragraph (5)(A) files a valid waiver certificate under paragraph (1) by the end of the 180-day period following the date of the enactment of this paragraph as described in paragraph (5)(B), or (not having filed such a certificate within that period) is deemed under paragraph (5) to have filed such a certificate on the 181st day following that date, the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary or his delegate, rather than in a lump sum.]

(8) EXTENDED PERIOD FOR PAYMENT OF TAXES FOR RETROACTIVE COVERAGE.—*Notwithstanding any other provision of this title, in any case where—*

(A) *an organization is deemed under paragraph (4) to have filed a valid waiver certificate under paragraph (1), but the applicable period described in paragraph (4)(A)(ii) has terminated and part or all of the taxes imposed by sections 3101 and 3111 with respect to remuneration paid by such organization to its employees after the close of such period remains payable notwithstanding paragraph (4)(C), or*

(B) *an organization described in paragraph (5)(A) files a valid waiver certificate under paragraph (1) by December 31, 1977, as described in paragraph (5)(B), or (not having filed such a certificate by that date) is deemed under paragraph (5) to have filed such a certificate on January 1, 1978, or*

(C) *an individual files a request under section 3 of Public Law 94-563, or under section 3 of the Act which added paragraph (4)(C) of this subsection, to have service treated as constituting remuneration for employment (as defined in section 3121(b) and in section 210(a) of the Social Security Act),*

the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs, or with respect to service constituting employment by reason of such request, may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary, rather than in a lump sum.

* * * * *

(s) CONCURRENT EMPLOYMENT BY TWO OR MORE EMPLOYERS.—For purposes of sections 3102, 3111 and 3121(a)(1), if two or more corporations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.

CHAPTER 23—FEDERAL UNEMPLOYMENT TAX ACT

SEC. 3304. APPROVAL OF STATE LAWS.

(a) REQUIREMENTS.—The Secretary of Labor shall approve any State law submitted to him, within 30 days of such submission, which he finds provides that—

* * * * *

(16)(A) wage information contained in the records of the agency administering the State law which is necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under part A of title IV of the Social Security Act, shall be made available to a State or political subdivision thereof, when such information is specifically requested by such State or political subdivision for such purpose, and

(B) such safeguards are established as are necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) to insure that such information is used only for the

[(16)] *(17) all the rights, privileges, or immunities conferred by such law or by acts done pursuant thereto shall exist subject to the power of the legislature to amend or repeal such law at any time.*

(b) NOTIFICATION.—The Secretary of Labor shall, upon approving such law, notify the governor of the State of his approval.

* * * * *

SEC. 3306. DEFINITIONS.

* * * * *

(p) CONCURRENT EMPLOYMENT BY TWO OR MORE EMPLOYERS.—For purposes of sections 3301, 3302 and 3306(b)(1), if two or more cor-

porations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.

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SUBTITLE F—PROCEDURE AND ADMINISTRATION
CHAPTER 61. INFORMATION AND RETURNS
SUBCHAPTER A. RETURNS AND RECORDS

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PART III. INFORMATION RETURNS

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SUBPART C. INFORMATION REGARDING WAGES PAID
EMPLOYEES

SEC. 6051. RECEIPTS FOR EMPLOYEES.

(a) **REQUIREMENT.**—Every person required to deduct and withhold from an employee a tax under section 3101 or 3402 or who would have been required to deduct and withhold a tax under section 3402 (determined without regard to subsection (n)) if the employee had claimed no more than one withholding exemption, or every employer engaged in a trade or business who pays remuneration for services performed by an employee, including the cash value of such remuneration paid in any medium other than cash, shall furnish to each such employee in respect of the remuneration paid by such person to such employee during the calendar year, on or before January 31 of the succeeding year, or, if his employment is terminated before the close of such calendar year, on the day on which the last payment of remuneration is made, a written statement showing the following:

- (1) the name of such person,
- (2) the name of the employee (and his social security account number if wages as defined in section 3121(a) have been paid),
- (3) the total amount of wages as defined in section 3401(a),
- (4) the total amount deducted and withheld as tax under section 3402,
- (5) the total amount of wages as defined in section 3121(a), and
- (6) the total amount deducted and withheld as tax under section 3101.

In the case of compensation paid for service as a member of a uniformed service, the statement shall show, in lieu of the amount required to be shown by paragraph (5), the total amount of wages as defined in section 3121(a), computed in accordance with such section and section 3121(i) (2). In the case of compensation paid for service as a volunteer or volunteer leader within the meaning of the Peace

Corps Act, the statement shall show, in lieu of the amount required to be shown by paragraph (5), the total amount of wages as defined in section 3121(a), computed in accordance with such section and section 3121(i) (3).

In the case of tips received by an employee in the course of his employment, the amounts required to be shown by paragraphs (3) and (5) shall include only such tips as are included in statements furnished to the employer pursuant to section 6053(a). *The amounts required to be shown by paragraph (5) shall not include wages which are exempted pursuant to sections 3101(c) and 3111(c) from the taxes imposed by sections 3101 and 3111.*

* * * * *

Excerpts from Public Law 92-603 (Social Security Amendments Act of 1972)

* * * * *

Age-62 Computation Point for Men

* * * * *

(j) (1) The amendments made by this section (except the amendment made by subsection (i), and the amendment made by subsection (g) to section 209(i) of the Social Security Act) shall apply only in the case of a man who attains (or would attain) age 62 after December 1974. The amendment made by subsection (i), and the amendment made by subsection (g) to section 209(i) of the Social Security Act, shall apply only with respect to payments after 1974.

(2) In the case of a man who attains age 62 prior to 1975, the number of his elapsed years for purposes of section 215(b) [(3)] (2) (B) (iii) of the Social Security Act shall be equal to (A) the number determined under such section as in effect on September 1, 1972, or (B) if less, the number determined as though he attained age 65 in 1975, except that monthly benefits under title II of the Social Security Act for months prior to January 1973 payable on the basis of his wages and self-employment income shall be determined as though this section had not been enacted.

* * * * *

Excerpts From Public Law 94-563

* * * * *

Sec. 3. In any case where—

(1) an individual performed service, as an employee of an organization which is deemed under section 3121(k) (5) of the Internal Revenue Code of 1954 to have filed a waiver certificate under section 3121(k) (1) of such Code, at any time prior to the period for which such certificate is effective;

(2) the taxes imposed by sections 3101 and 3111 of such Code were paid with respect to remuneration paid for such service, but such service (or any part thereof) does not constitute employ-

ment (as defined in section 210(a) of the Social Security Act and section 3121(b) of such Code) because the applicable taxes so paid were refunded or credited (otherwise than through a refund or credit which would have been allowed if a valid waiver certificate filed under section 3121(k)(1) of such Code had been in effect) prior to September 9, 1976; and

(3) any portion of such service (with respect to which taxes were paid and refunded or credited as described in paragraph (2)) would constitute employment (as so defined) if the organization had actually filed under section 3121(k)(1) of such Code a valid waiver certificate effective as provided in section 3121(k)(5)(B) thereof (with such individual's signature appearing on the accompanying list),

the remuneration paid for the portion of such service described in paragraph (3) shall, upon the request of such individual (filed *on or before April 15, 1980*, in such manner and form, and with such official, as may be prescribed by regulations made under title II of the Social Security Act) accompanied by full repayment of the taxes which were paid under section 3101 of such Code with respect to such remuneration and so refunded or credited (*or by satisfactory evidence that appropriate arrangements have been made for the repayment of such taxes in installments as provided in section 3121(k)(8) of such Code*), be deemed to constitute remuneration for employment as so defined. In any case where remuneration paid by an organization to an individual is deemed under the preceding sentence to constitute remuneration for employment, such organization shall be liable (notwithstanding any other provision of such Code) for repayment of any taxes which it paid under section 3111 of such Code with respect to such remuneration and which were refunded or credited to it.

Approved October 19, 1976.

VII. MINORITY VIEWS OF SENATORS CARL T. CURTIS, CLIFFORD P. HANSEN, ROBERT DOLE, AND PAUL LAXALT

The social security system is in financial trouble because for years the Congress has permitted benefit liberalizations to outpace revenues. Other demographic and economic factors joined to place the system in financial peril, so that virtually all agree that action must be taken to restore its fiscal health.

However, action should not be precipitate or foolhardy. It should not be disruptive of sharing relationships which have existed since the inception of the program. It should not fall heavily and inequitably upon certain sectors of the economy. It should not attempt to mask the real cost of making the system whole.

Most regrettably, the provisions of the bill reported by the Senate Finance Committee—which were approved by a single vote margin in the committee—violate all of these principles. It is a completely unacceptable way to resolve the problems of social security, and its current approach should be rejected by the Senate.

The keystone of the approach in the measure is a unilateral increase in the wage base on which contributions are calculated, for the employer only, to \$50,000 in 1979 and to \$75,000 in 1985. In a sharp break with precedent and tradition, the bill delivers massive financial blows to the very sector of the economy which is charged with the responsibility of providing sufficient jobs and capital formation in a critical period in our Nation's history.

Specifically, to date, employers and employees have shared equally in the costs of funding social security; present requirements are that each contribute 5.85 percent of the first \$16,500 earned by the employee. Under the measure reported by the committee, only modest wage base increases—four \$600 increments in 1979, 1981, 1983, and 1985—will be experienced by the employee. The employer, however, will have to pay social security taxes on the first \$50,000 of individual covered wages, between 1979 and 1985, and that figure will be increased to \$75,000 in 1985.

The sharp impact upon firms, particularly those employing individuals in critically needed higher income specialties, could not be more obvious.

The cost in additional OASDHI taxes, over present law, of the wage base increases contained in the committee bill is as follows:

[In millions]

	Employer	Percent	Employee	Percent
1979.....	\$2,396	93.0	\$179	7.0
1980.....	7,360	92.2	625	7.8
1981.....	7,855	90.4	835	9.6
1982.....	8,304	86.8	1,263	13.2
1983.....	8,503	85.5	1,443	14.5
5-yr average.....	6,884	88.8	869	11.2

In other words, in 1979, the employer sector will sustain an increase of \$2.4 billion in social security contributions because of the wage base increase alone (compared with \$179 million by employees). By 1983, increases required by the rise in the base will have grown to \$8.5 billion for employers versus \$1.4 billion for employees.

The total amount of additional OASDI and HI taxes paid by employers and employees under the committee bill is as follows:

	Total	Employers		Employees	
		Amount	Percent	Amount	Percent
Calendar year:					
1979.....	\$8.3	\$7.1	85	\$1.2	15
1980.....	10.0	8.6	86	1.4	14
1981.....	16.2	11.8	73	4.3	27
1982.....	17.2	12.4	72	4.8	28
1983.....	18.3	12.9	70	5.5	30
5-yr average.	14.0	10.6	76	3.4	24

Rather than the historic 50 percent-50 percent sharing ratio, the two sectors will stand in a 76 percent-24 percent relationship over the next 5 years. By 1985, when the ceiling on the employer wage base is increased to \$75,000, the disparity should become even more pronounced.

In a survey conducted by the Chamber of Commerce of the United States, on a similar plan,¹ over two-thirds of the respondents estimated an increase of over 10 percent in their social security tax. Twenty-seven percent estimated an increase of over 20 percent, and 15 percent said that their taxes would rise by more than 30 percent. Seventy-nine respondents forecasted an increase of over 100 percent in their social security taxes.

Additionally, these increases fall with a significant amount of disparity and inequity, depending upon the type of firm and the wage levels of their particular employees. Another survey, conducted by the minority, of 65 firms, colleges, and universities, found the following projected increased costs:

¹ A number of the estimates on the economic effect of the provisions of the committee bill are based upon the earlier level of \$100,000 for the employer portion of the wage base, except where specifically otherwise stated. As noted in the text, however, the difference in economic effect—because most of the jobs affected are grouped between the currently scheduled \$18,900 and \$50,000, not above it—is negligible.

A major private university in the State of New York: \$1.3 million.

A leading national rubber company: \$6 million.

A major trunk airline, based in the Southeast: \$11 million.

A Nebraska-based major construction company: \$2.8 million.

A Midwestern State university: \$1.4 million.

A textile company in the South: \$2 million.

A leading manufacturer of copymaking equipment, headquartered in Connecticut: \$27 million.

Two Texas-based national oil companies: \$9.1 million and \$20 million, respectively.

Two Oregon educational facilities: \$2 million and \$693,000, respectively.

These are simply representative of the deleterious effect the type of provisions contained in the committee bill will have upon major segments of the American economy.

And it is foolish to believe that American taxpayers will not, ultimately, be paying the resultant cost. They will pay it through increased prices, reduced wages and/or employee benefits, more limited employment opportunities, and delays in planned expansion. Sixty-eight percent of those participating in the chamber survey indicated they would be forced to increase prices to meet the increase in their social security taxes. Over half said they would have to hold down increases in wages and/or employee benefits.

Econometric models run on the earlier Finance Committee plan, raising the employer portion of the wage base to \$100,000, revealed that real GNP would be cut by \$12.8 billion in 1980 and by \$38.5 billion in 1985. Real disposable income would be down, in 1980, by \$12.3 billion, and in 1985, by \$38.4 billion. The effect on employment was forecast at 400,000 fewer jobs in 1980 and 1,200,000 fewer jobs in 1985. Investment would be down by \$5 billion in 1980 and by \$16.2 billion in 1985. There is little reason to believe that the economic effects of the committee-approved plan will be any less serious: for increasing the wage base to \$50,000 in 1979 and \$75,000 in 1985 should cover most, if not all, employee salary levels. In 1979, under the provisions adopted in the committee bill, we estimate that the \$5 billion in higher tax collections from wages between the currently scheduled \$18,900 and \$50,000 will cost \$3 billion in reduced business investment, 200,000 fewer jobs, an increase in wage costs of 0.5 percent, and an increase in consumer prices of 0.4 percent. To maintain that the approved levels are any improvement over the original proposal of an employer wage base level of \$100,000 is specious.

Surely, the wage base provisions of the committee bill continue to be an inequitable and undesirable solution to the social security problem.

It is equally fallacious to contend, as proponents of the bill do, that the break in this historic equal sharing relationship between employer and employee is only temporary, and that "the wage base for the employee is only temporary, and that "the wage base for the employee will catch up to that of the employer in 2002." Once the break has been made, it will be difficult if not impossible for future Congresses to resist the same illusory expediency that led to the current action, and in the event the bill is adopted in its current form, it is most like that parity never again will be restored.

Employees in the affected industries will not gain a corresponding increase in their benefits, as has been the case in the past when wage bases have been increased. Only modifications in the employee portion of the wage base cause corresponding increases in benefits; those located in industries who are forced to pay the disproportionate share of social security financing under the committee mechanism will derive no benefit at all from the added contribution made in their behalf.

Finally, increasing the taxable wage base narrows, in a most undesirable fashion, the role of private retirement savings efforts. This poses a threat to the long-range future of private pension systems, and therefore is a threat to a major source of equity capital for the future.

Rather than the kind of gimmickry represented in the committee bill, the social security system can and should be financed by straightforward methods which are simple, easy to understand, and are acceptable to both beneficiaries and contributors as necessary and desirable to restore the fiscal solvency of social security. Through either a very small tax rate increase alone (e.g., 0.2 percent in 1979 and 0.3 percent in 1980), followed by rate increases no larger than those already contained in the committee bill for the years from 1985-2011 (and incorporating the other major provisions, such as decoupling), both the short-range and the long-range problems of the trust funds could be completely resolved. Alternatively, the tax rate increase could be slightly smaller in the initial years (e.g., 0.25 percent in 1979, with no increase in 1980), and very slight—and equal—increases in the wage base for both employers and employees could be included (e.g., the four \$600 increments that are in the committee bill presently for employees alone), and the result would be virtually the same: fiscal soundness for the trust funds.²

It should be possible, after the months and years of detailed consideration of the issue of social security financing, to develop and propose to the American people a solution which is based upon the fundamental principles of:

- retaining the historic equal sharing relationship between employer and employee in the funding of the program, and
- establishing a method of financing that does not attempt to hide the true costs of social security.

It is most unfortunate that the bill reported from the committee adheres to neither of these essential precepts. Were the alternatives which were available to the committee so onerous, or so difficult to implement, that they were not realistic or viable, we could understand the action which was taken. The fact is, however, that numerous alternatives were presented which would have been realistic and practical and could be implemented without undue hardship. Adoption of any one of these rather than the ill-conceived plan contained in the committee bill—indefinitely would better serve the needs of the social security system and the American people.

CARL T. CURTIS.
CLIFFORD P. HANSEN.
ROBERT DOLE.
PAUL LAXALT.

² The level of increased taxes by the average social security wage base earner in 1979 would be only \$23 under the first plan and \$29 under the second—surely affordable levels.

VIII. ADDITIONAL VIEWS OF SENATORS ROBERT DOLE AND WILLIAM V. ROTH, JR.

There is no question that the social security trust funds, after years of legislative liberalizations without accompanying revenue measures, is in need of corrective action to make it fiscally sound. We question, however, whether those who now must bear the burden of financing social security—the working men and women of America—should be asked to assume such massive burdens that the legislation currently under consideration would impose.

These social security taxpayers recognize the necessity of continuing to make the system sound for the currently retired. They also look with concern to the day when they, too, will begin receipt of Social Security. They also look with mounting concern at the escalating demands government is imposing upon their paychecks, for they must—rightly—be concerned with cash flow in a time of increasing financial difficulty for so many.

We believe:

- that the social security system should be operated as carefully, and as soundly, as any private system;

- that constantly increasing tax demands, either through the tax rate or the wage base, is not the answer;

- that we must look to the beneficiary composition, the benefit structure, and the relationship between Social Security and other public and private programs to assess the most rational way of bringing fiscal sanity to this program; and

- that the Congress should not move into hasty enactment of tax or wage base increases until the kind of careful analysis described is completed.

In the minds of many, social security is synonymous with planning safely for retirement. In the minds of others, it is a program that has grown out of control, threatening their very ability to meet its mounting drain upon their take-home pay. For many in the latter group, social security taxes may consume more of their income than direct taxes on that income itself.

We owe it to both of these groups to do a thorough and complete job of reforming the social security system. We do not believe that either the Committee bill, or the House-passed legislation, accomplishes this critical goal. Much more creative thinking needs to go into the range of alternatives which are possible in this important area.

BOB DOLE.

WILLIAM V. ROTH, Jr.

IX. ADDITIONAL VIEWS OF SENATOR JOHN C. DANFORTH

I have voted to report H.R. 5322 to the floor despite my serious concerns about the method of social security financing approved by the committee. There is no question that over \$70 billion must be raised in the next 5 years if the social security trust funds are to be put on a sound financial basis. For this reason, I have voted to report the bill on the theory that almost any method of raising the revenue is better than no method at all. However, for the reasons set forth in these separate views, I do not believe the program contained in this bill is well conceived.

The financing proposals in this bill coupled with the already scheduled increases will cause social security taxes to rise drastically in the next few years. The State and local governments and nonprofit organizations alone will experience a tax increase of 227 percent in the next 10 years. H.R. 5322 provides some limited fiscal relief for these entities, but, as I set forth below, it is ill-designed relief, arbitrarily excluding many organizations from its scope, and is much too limited.

I. INCREASING THE EMPLOYER'S WAGE BASE TO \$50,000 IN 1979 AND \$75,000 IN 1985 INTRODUCES ARBITRARY AND CAPRICIOUS DISTINCTIONS AMONG EMPLOYERS AND FAILS TO TAX ON THE BASIS OF ABILITY TO PAY

Heretofore, the social security tax has been imposed one-half on the employer and one-half on the employee up to a specified wage base, currently at \$16,500. The tax collected has had a direct relationship to the benefits to which the employee has been entitled.

Under the committee proposal to increase the employer's wage base, the employer will have an additional tax burden which in no way increases the benefits of his employees. The additional tax, then, is not a social security contribution geared to social security benefits, but a general tax.

I oppose pegging this general tax to salary levels without regard to profits, because it produces arbitrary and capricious results. The proposal penalizes the employer who has a generous and liberal wage policy and rewards his competitor who has resisted wage increases. The employer with the liberal wage policy now will have to bear a substantial additional tax burden from which his less generous competitor is exempt. In this regard, it should be noted that we are not talking about salaries of top executives, but salaries above the wage base—\$16,500—the salary of plumbers in St. Louis, Mo.

Two manufacturing firms in Louisiana illustrate the problem. Each has over 100 employees. As a result of this provision, the tax liability of one will be increased 98.7 percent; the other only 42 percent. It would

be difficult to convince the first employer that his tax increase is not excessive or that he is receiving equal tax treatment.

Further, differing wage structures in various regions in the country and from industry to industry will produce inequitable results under the proposal. Employers who have older, more experienced workers, and employers who are engaged in labor-intensive enterprises will have to bear more than their fair share of the tax burden. Employers in capital-intensive enterprises and those who have younger, less skilled or part-time workers will bear a smaller burden. I know of no public policy which would justify differences in tax treatment on these grounds.

I recognize that the American public will have to bear a substantial financial burden in providing the \$70 billion shortfall in social security. However, there is something fundamentally wrong where the method chosen to raise the funds causes tax increases of more than 100 percent on some employers and no or very little tax increase on many others. Thus, a manufacturer in Nebraska reports that he will have a 118-percent increase as a direct result of the proposed base increase. Similarly, a Colorado wholesaler calculates a tax increase of 118 percent. In contrast, a Georgia construction company calculates that its increase will be only 0.006 percent as a result of this proposal.

These widely varying tax increases are wholly unrelated to profits. An employer with a tax increase of over 100 percent may be operating at a loss whereas an employer with little or no tax increase may be enjoying substantial profits. I suggest that where the tax bears no relationship to either the employee's benefits or the employer's profits, then the tax could just as well be imposed on the basis of typewriters, trucks, or inventory.

I also oppose the proposal because of the effect it has on low-income workers and the economy in general. There appears to be an implicit assumption underlying this bill that where the tax is imposed directly on the employer and does not decrease the take-home pay of the worker, the worker wholly escapes the economic burden of the tax. This view is fallacious.

The Joint Economic Committee, in its 1977 Midyear Review of the Economy, dated September 26, 1977, makes clear that a higher employer payroll tax will be shifted backward in the form of lower wages or forward in the form of higher prices, or both. Moreover, as the Joint Economic Committee points out, this shift has a very serious effect on inflation and unemployment. The committee's overall conclusion is that increasing the employer's social security tax by raising the wage base will ultimately reduce the level of both production and employment.

II. RAISING THE TAX AND BASE ON EMPLOYEES IS REGRESSIVE TAXATION AND HAS ITS GREATEST IMPACT ON LOW- AND MIDDLE-INCOME WAGE EARNERS; AND WILL COMPEL STATES, LOCAL GOVERNMENTS, AND NONPROFIT ORGANIZATIONS TO WITHDRAW FROM SOCIAL SECURITY

The social security tax is a regressive tax. According to the administration, at present *more than half of all taxpayers pay more in social*

security tax than in Federal income tax. In 1976, payroll taxes represented 32 percent of total Federal receipts. Yet, at a time when we are talking about substantially reducing the Federal income tax rates, our most progressive tax, the committee has proposed increasing the present social security tax rate by 20 percent in the next 8 years as well as increasing the base against which the taxes are assessed.

These rate and base increases emphasize and increase the unfair and regressive aspects of the present social security tax. Although an increase in the base does not increase the taxes paid by those below the base, it substantially increases the tax paid by those slightly above the base, currently at \$16,500. For example, the effect of the committee's action with respect to base increases alone on persons earning only \$2,400 above the current base will be to increase their taxes by 15 percent by 1985. Therefore, in combination with the rate increases, these persons face social security tax increases of 35 percent.

I also oppose this proposal because of the heavy burden on State and local governments. By 1987—only 10 years from now—this group of employers will suffer social security tax increases of over 200 percent. Most of the increase will result from rate increases. Less than 7 percent of the increase results from lifting the wage base on employers. Thus, most of the increase will be borne without the benefit of the committee's fiscal relief provision. New Haven, Conn., estimates an increase of \$40,000 in its social security tax by 1979 alone, an increase of almost 20 percent. The entire amount results from the rate increases. Similarly, Savannah, Ga., will have to pay an additional \$48,500 in social security taxes in 1979 over what it is now paying. Only a very small portion of the increase results from the increase in the employer wage base: it is almost entirely a result of the rate increases.

Nonprofit organizations as a group also will have substantial increases under this proposal. This group's liability under social security will also increase over 200 percent by 1987. The Salvation Army in the Greater Washington, D.C., area, covering Virginia, one-half of West Virginia and parts of Maryland, calculates it will have to pay social security taxes of almost \$86,000 in 1979 as a result of the committee's proposals, an increase of almost \$13,000. All but \$15 of that \$13,000 increase is a result of the rate increases. Similarly, the Washington, D.C., Campfire Girls calculates it will have an increase of 40 percent in its social security taxes in 1979, all of it attributable to the rate increases. These organizations are not in a position to absorb tax increases of this magnitude.

III. WAGE INDEXING IS MORE EXPENSIVE THAN PRICE INDEXING AND EXCLUDES CURRENT RETIREES FROM SHARING IN AMERICA'S ECONOMIC GROWTH

I support the concept of providing an adjustment in the amount of social security benefits to provide constant dollars to recipients. The committee has proposed achieving this result by indexing social security on the basis of wage increases.

I oppose this method of indexing because it is very expensive and because it draws invidious and unjustified distinctions between retirees of today and retirees 20 years from today. Thus, under wage indexing,

a worker who retires today will receive a smaller benefit *in real dollars* than a worker with an identical wage history who retires 20 years from now even though both may be alive and drawing benefits. Under wage indexing, the current retiree is excluded from sharing in the real growth of our Nation's productivity.

I favor price indexing. It protects workers against the erosion of benefits as a result of inflation. At the same time, while wage indexing only cuts the long-range deficit in half, price indexing reduces the deficit totally, placing the system in long-range actuarial balance. In this way, it makes unnecessary additional rate increases of 1.45 percent which will be required if wage indexing is adopted. Finally, it provides Congress with the flexibility to make appropriate adjustments in the level of benefits which will benefit not only present workers, but also those who have already retired.

IV. ALTERNATIVE METHODS ARE AVAILABLE FOR FINANCING SOCIAL SECURITY

My comments so far have been essentially negative. I have said what I do not think should be done. I believe the following proposals, together with price indexing, offer a more equitable and rational solution to the short- and long-range deficits of social security.

A. FEDERAL EMPLOYEES SHOULD BE COVERED BY SOCIAL SECURITY

Bringing Federal employees under social security would substantially contribute to meeting the \$70 billion shortfall. The Social Security Administration has estimated that \$33.7 billion would be raised for social security in the first 5 years Federal employees were covered. This is because in the first few years of coverage, many more employees would be paying into social security than would be drawing out benefits. Moreover, the Social Security Administration has estimated that bringing in Federal employees would reduce the long-range social security deficit in part as a result of eliminating the abuse known as double-dipping (the process which permits retired Federal employees to supplement their civil service pensions by working just enough years to qualify for the minimum social security benefit).

It is essential that Federal employees who are brought under social security not receive reduced benefits and not have to pay higher contributions. This result can be achieved by integrating the Federal retirement systems with social security, in the manner of many private pension plans. Indeed, I would only propose coverage of Federal employees if their aggregate benefits were not reduced and their aggregate contributions were no higher. This can be accomplished because the liabilities of the civil service retirement trust fund will be decreasing as social security benefits accrue.

Moreover, if Federal employees were brought under social security, their benefits would be slightly improved. Social security insures that employees and their families have adequate income not only at retirement but also in the event of disability or death. Although the civil service retirement system provides coverage in the event of disability or death, the coverage is not as complete as the social security coverage.

For example, civil service coverage does not begin until a worker has had 5 years of employment with the Government. In contrast, under social security, younger workers need less than 5 years of employment for coverage. Even after an employee has completed 5 years of service and becomes eligible for protection, many more years of service are required before survivorship protection for families and disability protection for a worker with dependents reaches the level provided under social security.

Inclusion of Federal employees under social security is consistent with the original intent of social security and has been recommended by every social security advisory group since 1938. With social security coverage, Federal employees will be no worse off than now and the system will come closer to its intended role as a universal floor of protection for all working Americans.

B. A SURCHARGE SHOULD BE IMPOSED ON CORPORATE AND PERSONAL INCOME TAXES

In my judgment, a surcharge on the corporate and personal income tax is the fairest and most equitable method of meeting the remainder of the social security deficit. This is a difficult recommendation for me to make because I am convinced that taxes are too high and impose too much of a burden on individuals and the economy.

I am committed to reducing taxes. I think it is the most important objective of "tax reform." Nevertheless, failure to insure the financial viability of the social security system is unthinkable. Therefore, the only question is who should bear the cost of providing the necessary revenue.

It is my view that the cost should be spread equitably throughout society rather than borne most heavily by only certain employers (raising the employers' base) or by low- and middle-income employees (raising the rate or the base on employees). The most equitable method of spreading the increased burden throughout society and yet retaining the identifiable character of a separate social security tax is a surcharge on the income tax.

A surtax is similar to the use of general revenues, but it has several advantages over the use of Treasury funds. It raises real dollars rather than simply increasing the deficit. It preserves the direct linkage between the individual and social security contributions. By retaining a link between the cost of social security and the benefits, there is no open invitation to "raid the Treasury" irresponsibly. Furthermore, a surtax encourages persons who are not covered under social security, like employees of some State and local governments, to join the system since they would already be contributing to it.

These three proposals taken together—inclusion of Federal employees, a 3-percent corporate and personal income tax and price indexing—leave the cash programs of social security in short-range and long-range actuarial balance. They are the most rational, fairest, and most equitable solution to the unpleasant and difficult task of raising \$70 billion.

V. IF PAYROLL TAXES ARE USED TO FINANCE SOME OR ALL OF THE SOCIAL SECURITY DEFICIT, MEANINGFUL FISCAL RELIEF FOR STATE AND LOCAL GOVERNMENTS AND NONPROFIT ORGANIZATIONS MUST BE INCLUDED

The committee's social security tax proposals, together with already scheduled increases, will cause the social security taxes of State and local governments and nonprofit organizations to more than double in 5 years and to more than triple in 10 years—from an aggregate tax of \$6.6 billion to a tax of \$21.6 billion.

The financial crisis which confronts our cities and other governmental agencies is widespread and extremely serious. All too often we have witnessed the curtailment of essential municipal and educational services or strikes for higher wages by teachers, firefighters, and other governmental workers. The next tax proposal will only make the financial plight of our local governmental agencies worse.

In 1976, Toledo, Ohio, was forced to shut its schools for the month of December because of the city's financial condition. Similarly, Detroit laid off or eliminated positions for over 4,100 employees, reduced salaries by 8 percent in each department, cut funds for welfare services and prison care, and still projected a large 1976 deficit. On March 9, 1976, the New York Times began a story with the following disturbing lead:

"The City of Buffalo, which had been expected to run out of cash tomorrow, arranged to borrow \$2 million today. . . . The loan will enable the city government and its Board of Education to meet their cash needs until Friday. . . ."

Many nonprofit organizations are facing similar financial crunches. The Young Women's Christian Association of the National Capital Area has sustained deficits averaging \$50,000 in each of the last 7 years on an annual budget of \$2 million. Colleges are struggling against ever increasing operating costs. Often tuition has been raised to the point where it is out of the financial reach of many students.

In this period of severe financial crisis for many nonprofit organizations, social security taxes will be raised by spectacular amounts. Two years from now, the American Cancer Society in Michigan, for example, will have an increase of over 25 percent in its social security tax liability under the committee's proposal. The University of Alabama in Tuscaloosa in 1981 will be paying \$864,000 more than it paid last year, an increase of 50 percent. Similarly, Hampshire College in Amherst, Mass., in 1981 will be paying \$107,287 more or an increase of 61 percent.

These organizations have little or no capability of passing on the increased cost. Moreover, unlike private, profitmaking employers, the additional social security tax payments will not be reflected in lower income taxes. As a result, these public and nonprofit employers will have to bear 100 percent of the increased liability themselves. They must either curtail their activities or raise more money, either through more contributions in the case of nonprofits or more local taxes in the case of public employers, to meet the full increased liability. In contrast, profitmaking employers will bear only a portion of the increase, the rest being an offset against Federal and State income tax liabilities

which would otherwise be payable. Every increase profitmaking employers have in social security taxes translates into an operating cost of only a portion of the increase.

The committee has recognized the need for some tax relief for these employers as well as the basic inequity in tax treatment between these employers and for-profit employers. The committee has agreed to a refundable tax credit for these employers—a refund of a portion of their social security taxes from general revenues—but has adopted a clumsy mechanism which produces unfair and arbitrary results.

In order to receive a refund, an employer must pay its employees above the wage base. In 1979, the wage base will be close to \$20,000 and will be over \$30,000 by 1985.

As I have shown above, the bulk of the increase in the liability for this group of employers results from rate increases, not base increases.

Therefore, the refund in the committee proposal is of some help to well-endowed foundations and other employers with highly paid professional employees, but the vast majority of charitable employers will receive almost no benefit at all. In 1979, for example, the Salvation Army, covering Virginia, half of West Virginia, Washington, D.C., and part of Maryland, will pay social security taxes of almost \$86,000—an increase of \$13,000 over its present liability—and will receive a refund of \$7.67. The Campfire Girls will receive nothing, because the organization will not be paying anyone over \$19,500 in 1979, notwithstanding a tax increase of 40 percent. New Haven, Conn., will have to pay an additional \$40,000 in social security tax but will receive no refund.

Moreover, even those employers who are benefited will only be benefited for a few years. The committee's proposal is designed to phase out just as the increases are beginning to really rise. As the future rate increases become effective and the employee wage base rises, the refund disappears. In 1987, for example, the costs to these employers will be up 227 percent; the refund will represent only 6 percent of this total.

These employers, unlike most, may under law voluntarily withdraw from social security, and they have been withdrawing at an accelerating rate. If New York City employees alone were to withdraw from social security, the trust funds would lose \$3.1 billion in the next 4 years; 219 governmental units representing 81,534 employees have notices to withdraw currently pending before the Social Security Administration. If enough public and nonprofit employers withdrew, the tax increases could backfire, causing the trust funds to lose more revenue than they gained.

I agree with the majority of the committee that some sort of tax relief is needed for this group of employers. But the relief should be based on total liability, not on how much they pay their employees. It should be a permanent and stable refund, not a decreasing amount each year.

At a time when we are tripling the social security tax of these employers, I believe we should cushion the increase in some meaningful way. At a time when profitmaking employers will offset \$23 billion in Federal income tax otherwise payable, I believe we can refund the public and nonprofit employers \$1 billion, the approximate cost of a flat 10-percent refund of total social security tax liability.

JOHN C. DANFORTH.

95TH CONGRESS
1ST SESSION**H. R. 5322**

[Report No. 95-572]

IN THE SENATE OF THE UNITED STATES

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

NOVEMBER 1 (legislative day, OCTOBER 29), 1977

Reported with an amendment and an amendment to the title

[Strike out all after the enacting clause and insert the part printed in italic]

AN ACT

To provide duty-free treatment for istle.

1 *Be it enacted by the Senate and House of Representa-*
 2 *tives of the United States of America in Congress assembled,*
 3 That ~~(a) subpart G of part 15 of schedule 1 of the Tariff~~
 4 Schedules of the United States ~~(19 U.S.C. 1202)~~ is amended
 5 by striking out—

[“	192.65	|	Istle:	|	Free	|	Free	|	”	]
		192.70		Crude.....		20% ad val.		20% ad val.			
				Processed.....							

6 and inserting in lieu thereof the following:

[“	192.66	|	Istle.....	|	Free	|	Free	|	”	]

7 ~~(b) Item 903.90 of the Appendix to such Schedule is~~
 8 repealed.

1 ~~SEC. 2. The amendments made by the first section of this~~
 2 ~~Act shall apply with respect to articles entered, or withdrawn~~
 3 ~~from warehouse, for consumption on or after the date of the~~
 4 ~~enactment of this Act.~~

5 *SHORT TITLE; REFERENCE TO ACT*

6 *SECTION 1. (a) This Act (together with the following*
 7 *table of contents) may be cited as the "Social Security*
 8 *Amendments of 1977".*

TABLE OF CONTENTS

TITLE I—PROVISIONS RELATING TO THE OLD-AGE, SUR- VIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—PROVISIONS RELATING TO FINANCING

- Sec. 101. Application of employer excise tax to wages in excess of con-
tribution and benefit base.*
- Sec. 102. Increase in contribution and benefit base for employees.*
- Sec. 103. Employment tax increase; increase in self-employment tax;
reallocation among trust funds.*
- Sec. 104. Computation of primary insurance amount.*
- Sec. 105. Maximum benefits.*
- Sec. 106. Payments to certain public and nonprofit employers.*
- Sec. 107. Conforming changes.*
- Sec. 108. Effective date provisions.*

PART B—GENERAL PROVISIONS

- Sec. 121. Liberalization of earnings test.*
- Sec. 122. Widow's and widower's insurance benefits in cases of delayed
retirement.*
- Sec. 123. Reduced benefits for spouses receiving Government pensions.*
- Sec. 124. Employees of members of related groups of corporations.*
- Sec. 125. Limitation on retroactive benefits.*
- Sec. 126. Delivery of benefit checks.*
- Sec. 127. Actuarial reduction of benefit increases to be applied as of time
of original entitlement.*
- Sec. 128. International agreements with respect to social security benefits.*
- Sec. 129. Coverage of nonprofit organizations which failed to file waiver
certificates.*

TITLE II—MISCELLANEOUS

- Sec. 201. Studies and reports.*
- Sec. 202. Appointment of hearing examiners.*
- Sec. 203. Report of Advisory Council on Social Security.*

TABLE OF CONTENTS—Continued

TITLE III—PROVISIONS RELATING TO CERTAIN STATE
WELFARE AND SERVICE PROGRAMS RECEIVING FED-
ERAL FINANCIAL ASSISTANCE

Sec. 301. Fiscal relief for States and political subdivisions thereof with respect to costs of welfare programs.

Sec. 302. Incentive adjustments for quality control in Federal financial participation in aid to families with dependent children programs.

Sec. 303. Access to wage information.

Sec. 304. State demonstration projects.

Sec. 305. Earned income disregard.

1 (b) Whenever in this Act an amendment is expressed
2 in terms of an amendment to a section or other provision
3 without specification of Act, the reference is to a section or
4 other provision of the Social Security Act.

5 TITLE I—PROVISIONS RELATING TO THE
6 OLD-AGE, SURVIVORS, AND DISABILITY
7 INSURANCE PROGRAM

8 PART A—PROVISIONS RELATING TO FINANCING

9 APPLICATION OF EMPLOYER EXCISE TAX TO WAGES IN
10 EXCESS OF CONTRIBUTION AND BENEFIT BASE

11 SEC. 101. (a) Section 230(c) is amended by adding at
12 the end the following sentence: "For purposes of the employer
13 tax liability under section 3111 of the Internal Revenue Code
14 of 1954 and section 3221(b) of such Code in the case of rail-
15 road employment, the contribution and benefit base referred
16 to in paragraph (1) of section 3121(a) of the Internal
17 Revenue Code of 1954 is deemed to be \$50,000 with respect
18 to remuneration paid during calendar years 1979 through

1 1984, and with respect to calendar years after 1984 \$75,000
 2 or (if higher) the contribution and benefit base as determined
 3 under this section without regard to the provisions of this
 4 sentence.”.

5 (b) Section 230(b) is amended by striking out “shall
 6 be” in the matter preceding paragraph (1) and inserting in
 7 lieu thereof “shall (subject to subsections (c) and (d)) be”.

8 INCREASE IN CONTRIBUTION AND BENEFIT BASE FOR
 9 EMPLOYEES

10 SEC. 102. Section 230 is amended by adding at the end
 11 the following new subsection:

12 “(d) Except as otherwise provided by the last sentence
 13 of subsection (c) and except for purposes of determining
 14 employer tax liability under section 3221(a) of the Internal
 15 Revenue Code of 1954, for calendar years 1979, 1981,
 16 1983, and 1985 the contribution and benefit base shall be
 17 equal to the amount determined under subsection (b) but as
 18 augmented for each such year (and carried forward there-
 19 after) by \$600; and the amount of such base for any such
 20 year as so increased shall be deemed to be the amount of such
 21 base for such year for purposes of determining any increase,
 22 under the preceding provisions of this section, in such base
 23 for any succeeding year.”.

1 *EMPLOYMENT TAX INCREASE; INCREASE IN SELF-EMPLOY-*
2 *MENT TAX; REALLOCATION AMONG TRUST FUNDS*

3 *SEC. 103. (a) TAX ON EMPLOYEES.—*

4 *(1) OLD-AGE, SURVIVORS, AND DISABILITY IN-*
5 *SURANCE.—Paragraphs (1) and (2) of section 3101*
6 *(a) of the Internal Revenue Code of 1954 are amended*
7 *to read as follows:*

8 *“(1) with respect to wages received during the cal-*
9 *endar years 1974 through 1977, the rate shall be 4.95*
10 *percent;*

11 *“(2) with respect to wages received during the cal-*
12 *endar year 1978, the rate shall be 5.05 percent;*

13 *“(3) with respect to wages received during the cal-*
14 *endar years 1979 and 1980, the rate shall be 5.085*
15 *percent;*

16 *“(4) with respect to wages received during the cal-*
17 *endar years 1981 through 1984, the rate shall be 5.35*
18 *percent;*

19 *“(5) with respect to wages received during the cal-*
20 *endar years 1985 through 1989, the rate shall be 5.65*
21 *percent;*

22 *“(6) with respect to wages received during the cal-*
23 *endar years 1990 through 1994, the rate shall be 6.10*
24 *percent;*

1 “(7) with respect to wages received during the cal-
 2 endar years 1995 through 2000, the rate shall be 6.70
 3 percent;

4 “(8) with respect to wages received during the cal-
 5 endar years 2001 through 2010, the rate shall be 7.30
 6 percent; and

7 “(9) with respect to wages received after Decem-
 8 ber 31, 2010, the rate shall be 7.80 percent.”.

9 (2) HOSPITAL INSURANCE.—Paragraphs (2)
 10 through (4) of section 3101(b) of the Code are
 11 amended to read as follows:

12 “(2) with respect to wages received during the
 13 calendar year 1978, the rate shall be 1.00 percent;

14 “(3) with respect to wages received during the
 15 calendar years 1979 and 1980, the rate shall be 1.05
 16 percent;

17 “(4) with respect to wages received during the calen-
 18 dar years 1981 through 1984, the rate shall be 1.25
 19 percent;

20 “(5) with respect to wages received during the
 21 calendar year 1985, the rate shall be 1.35 percent; and

22 “(6) with respect to wages received after Decem-
 23 ber 31, 1985, the rate shall be 1.40 percent.”.

1 **(b) TAX ON EMPLOYERS.—**

2 **(1) OLD-AGE, SURVIVORS, AND DISABILITY IN-**
3 **SURANCE.—***Paragraphs (1) and (2) of section 3111*
4 *(a) of the Code are amended to read as follows:*

5 *“(1) with respect to wages paid during the cal-*
6 *endar years 1974 through 1977, the rate shall be 4.95*
7 *percent;*

8 *“(2) with respect to wages paid during the calen-*
9 *dar year 1978, the rate shall be 5.05 percent;*

10 *“(3) with respect to wages paid during the calendar*
11 *years 1979 and 1980, the rate shall be 5.085 percent;*

12 *“(4) with respect to wages paid during the calendar*
13 *years 1981 through 1984, the rate shall be 5.35 percent;*

14 *“(5) with respect to wages paid during the calendar*
15 *years 1985 through 1989, the rate shall be 5.65 percent;*

16 *“(6) with respect to wages paid during the calendar*
17 *years 1990 through 1994, the rate shall be 6.10 percent;*

18 *“(7) with respect to wages paid during the calendar*
19 *years 1995 through 2000, the rate shall be 6.70 percent;*

20 *“(8) with respect to wages paid during the calendar*
21 *years 2001 through 2010, the rate shall be 7.30 percent;*
22 *and*

23 *“(9) with respect to wages paid after December 31,*
24 *2010, the rate shall be 7.80 percent.”.*

1 (2) *HOSPITAL INSURANCE.*—Paragraphs (2)
 2 through (4) of section 3111(b) of the Code are amend-
 3 ed to read as follows:

4 “(2) with respect to wages paid during the calen-
 5 dar year 1978, the rate shall be 1.00 percent;

6 “(3) with respect to wages paid during the calen-
 7 dar years 1979 and 1980, the rate shall be 1.05
 8 percent;

9 “(4) with respect to wages paid during the calendar
 10 years 1981 through 1984, the rate shall be 1.25 per-
 11 cent;

12 “(5) with respect to wages paid during the calendar
 13 year 1985, the rate shall be 1.35 percent; and

14 “(6) with respect to wages paid after December 31,
 15 1985, the rate shall be 1.40 percent.”.

16 (c) *TAX ON SELF-EMPLOYMENT INCOME.*—

17 (1) *OLD-AGE, SURVIVORS, AND DISABILITY IN-*
 18 *INSURANCE.*—Subsection (a) of section 1401 of the Code
 19 is amended to read as follows:

20 “(a) *OLD-AGE, SURVIVORS, AND DISABILITY INSUR-*
 21 *ANCE.*—In addition to other taxes, there shall be imposed for
 22 each taxable year, on the self-employment income of every
 23 individual, a tax as follows:

24 “(1) in the case of any taxable year beginning after
 25 December 31, 1972, and before January 1, 1978, the

1 *tax shall be equal to 7.00 percent of the amount of the*
2 *self-employment income for such taxable year;*

3 *“(2) in the case of any taxable year beginning*
4 *after December 31, 1977 and before January 1, 1979,*
5 *the tax shall be equal to 7.10 percent of the amount of*
6 *the self-employment income for such taxable year;*

7 *“(3) in the case of any taxable year beginning*
8 *after December 31, 1978 and before January 1, 1981,*
9 *the tax shall be equal to 7.05 percent of the amount of*
10 *the self-employment income for such taxable year;*

11 *“(4) in the case of any taxable year beginning*
12 *after December 31, 1980, and before January 1, 1985,*
13 *the tax shall be equal to 8.00 percent of the amount of*
14 *the self-employment income for such taxable year;*

15 *“(5) in the case of any taxable year beginning*
16 *after December 31, 1984, and before January 1, 1990,*
17 *the tax shall be equal to 8.50 percent of the amount of*
18 *the self-employment income for such taxable year;*

19 *“(6) in the case of any taxable year beginning after*
20 *December 31, 1989, and before January 1, 1995, the*
21 *tax shall be equal to 9.15 percent of the amount of the*
22 *self-employment income for such taxable year;*

23 *“(7) in the case of any taxable year beginning after*
24 *December 31, 1994, and before January 1, 2001, the tax*

1 *shall be equal to 10.05 percent of the amount of the self-*
2 *employment income for such taxable year;*

3 *“(8) in the case of any taxable year beginning after*
4 *December 31, 2000, and before January 1, 2011, the tax*
5 *shall be equal to 10.95 percent of the amount of the self-*
6 *employment income for such taxable year; and*

7 *“(9) in the case of any taxable year beginning after*
8 *December 31, 2010, the tax shall be equal to 11.70 per-*
9 *cent of the amount of the self-employment income for such*
10 *taxable year.”.*

11 (2) *HOSPITAL INSURANCE.*—Paragraphs (2)
12 *through (4) of subsection (b) of section 1401 of the*
13 *Code are amended to read as follows:*

14 *“(2) in the case of any taxable year beginning*
15 *after December 31, 1977, and before January 1, 1979,*
16 *the tax shall be equal to 1.00 percent of the amount of*
17 *the self-employment income for such taxable year;*

18 *“(3) in the case of any taxable year beginning after*
19 *December 31, 1978, and before January 1, 1981, the*
20 *tax shall be equal to 1.05 percent of the amount of*
21 *the self-employment income for such taxable year;*

22 *“(4) in the case of any taxable year beginning after*
23 *December 31, 1980, and before January 1, 1985, the*
24 *tax shall be equal to 1.25 percent of the amount of the*
25 *self-employment income for such taxable year;*

1 “(5) in the case of any taxable year beginning
2 after December 31, 1984, and before January 1, 1986,
3 the tax shall be equal to 1.35 percent of the amount of
4 the self-employment income for such taxable year; and

5 “(6) in the case of any taxable year beginning
6 after December 31, 1985, the tax shall be equal to
7 1.40 percent of the amount of the self-employment in-
8 come for such taxable year.”.

9 (d) *ALLOCATION TO DISABILITY INSURANCE TRUST*
10 *FUND.*—

11 (1) *ALLOCATION OF WAGES.*—Section 201(b)(1)
12 of the Social Security Act is amended by striking out
13 all that follows clause (F) and inserting in lieu thereof
14 the following: “(G) 1.550 per centum of the wages (as
15 so defined) paid after December 31, 1977, and before
16 January 1, 1979, and so reported, (H) 1.500 per cen-
17 tum of the wages (as so defined) paid after December 31,
18 1978, and before January 1, 1981, and so reported, (I)
19 1.650 per centum of the wages (as so defined) paid after
20 December 31, 1980, and before January 1, 1985, and
21 so reported, (J) 1.900 per centum of the wages (as so
22 defined) paid after December 31, 1984, and before
23 January 1, 1990, and so reported, (K) 2.100 per-
24 centum of the wages (as so defined) paid after Decem-
25 ber 31, 1989, and before January 1, 1995, (L) 2.400

1 *per centum of the amount of the wages (as so defined)*
2 *paid after December 31, 1994, and before January 1,*
3 *2001, (M) 2.700 per centum of the amount of the wages*
4 *(as so defined) paid after December 31, 2000, and before*
5 *January 1, 2011, and (N) 3.00 per centum of the*
6 *amount of the wages (as so defined) paid after Decem-*
7 *ber 31, 2010, and so reported, which wages shall be cer-*
8 *tified by the Secretary of Health, Education, and*
9 *Welfare on the basis of the records of wages established*
10 *and maintained by such Secretary in accordance with*
11 *such reports; and”.*

12 (2) *ALLOCATION OF SELF-EMPLOYMENT IN-*
13 *COME.—Section 201(b)(2) is amended by striking out*
14 *all that follows clause (F) and inserting in lieu thereof*
15 *the following: “(G) 1.090 per centum of the amount*
16 *of self-employment income (as so defined) so reported*
17 *for any taxable year beginning after December 31,*
18 *1977, and before January 1, 1979, (H) 1.040 per*
19 *centum of the amount of self-employment income (as*
20 *so defined) so reported for any taxable year beginning*
21 *after December 31, 1978, and before January 1, 1981,*
22 *(I) 1.2375 per centum of the amount of self-employ-*
23 *ment income (as so defined) so reported for any taxable*
24 *year beginning after December 31, 1980, and before*
25 *January 1, 1985, (J) 1.425 per centum of the amount*

1 of self-employment income (as so defined) so reported
 2 for any taxable year beginning after December 31,
 3 1984, and before January 1, 1990, and (K) 1.575 per
 4 centum of the amount of self-employment income (as so
 5 defined) so reported for any taxable year beginning after
 6 December 31, 1990, and before January 1, 1995, (L)
 7 1.800 per centum of the amount of self-employment in-
 8 come (as so defined) so reported for any taxable year
 9 beginning after December 31, 1994, and before Janu-
 10 ary 1, 2001, (M) 2.025 per centum of the amount of
 11 self-employment income (as so defined) so reported for
 12 any taxable year beginning after December 31, 2000,
 13 and before January 1, 2011, and (N) 2.250 per centum
 14 of the amount of self-employment income (as so de-
 15 fined) so reported for any taxable year beginning after
 16 December 31, 2010, which self-employment income
 17 shall be certified by the Secretary of Health, Education,
 18 and Welfare on the basis of the records of self-employ-
 19 ment income established and maintained by the Secre-
 20 tary of Health, Education, and Welfare in accordance
 21 with such returns.”.

22 COMPUTATION OF PRIMARY INSURANCE AMOUNT

23 SEC. 104. (a) Section 215(a) is amended to read as
 24 follows:

25 “(a) (1) (A) The primary insurance amount of an indi-

1 *vidual (except as otherwise provided in this section) is equal*
 2 *to the sum of—*

3 “(i) 92 per centum of the individual’s average in-
 4 dexed monthly earnings (determined under subsection
 5 (b)) up to the amount established for purposes of this
 6 clause by subparagraph (B),

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

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

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

22 “(ii) In the case of an individual who becomes eligible
 23 for old-age or disability insurance benefits, or who dies
 24 before becoming so eligible, in a calendar year after 1979,
 25 each of the amounts established with respect to subparagraphs

1 *(A)(i) and (A)(ii) shall equal the product of the cor-*
2 *responding amount established with respect to the calendar*
3 *year 1979 under clause (i) of this subparagraph, and the*
4 *quotient obtained by dividing—*

5 *“(I) the average of the wages (as defined in section*
6 *230(e)) of all employees as reported to the Secretary of*
7 *the Treasury for the second calendar year preceding the*
8 *calendar year for which the determination is made, by*

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

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

16 *“(C)(i) No primary insurance amount computed under*
17 *subparagraph (A) may be less than the greatest of—*

18 *“(I) the amount in the first line of column IV in*
19 *the table of benefits contained (or deemed to be con-*
20 *tained) in this subsection as in effect in December 1978,*

21 *“(II) the amount determined under subsection (i)*
22 *(except subclause (III) of this clause) with respect to this*
23 *subparagraph, or*

24 *“(III) an amount equal to \$9 multiplied by the*
25 *individual's years of coverage in excess of 10.*

1 “(ii) For purposes of the preceding clause, the term
2 ‘years of coverage’ means the number (not exceeding 30)
3 equal to the sum of (I) the number (not exceeding 14 and
4 disregarding any fraction) determined by dividing (a) the
5 total of the wages credited to the individual (including wages
6 deemed to be paid prior to 1951 to such individual under
7 section 217, compensation under the Railroad Retirement Act
8 of 1937 prior to 1951 which is creditable to such individual
9 pursuant to this title, and wages deemed to be paid prior to
10 1951 to such individual under section 231) for years after
11 1936 and before 1951 by (b) \$900, plus (II) the number
12 equal to the number of years after 1950 each of which is a
13 computation base year (within the meaning of subsection (b)
14 (2)(B)(ii)) and in each of which he is credited with wages
15 (including wages deemed to be paid to such individual under
16 section 217, and compensation under the Railroad Retirement
17 Act of 1937 or the Railroad Retirement Act of 1974 which is
18 creditable to such individual pursuant to this title, and wages
19 deemed to be paid to such individual under section 229) and
20 self-employment income of not less than 25 percent of the
21 maximum amount which, pursuant to subsection (e), may
22 be counted for such year.

23 “(D) In each calendar year after 1978 the Secretary
24 shall publish in the Federal Register, on or before Novem-
25 ber 1, the formula for computing benefits under this para-

1 graph and for adjusting wages and self-employment income
2 under subsection (b)(3) in the case of an individual who
3 becomes eligible for an old-age insurance benefit, or (if
4 earlier) becomes eligible for a disability insurance benefit
5 or dies, in the following year, and the average wages (as
6 described by subclause (I) of subparagraph (B)(ii)) on
7 which that formula is based. With the initial publication
8 required by this subparagraph, the Secretary shall also
9 publish in the Federal Register the average wages (as so
10 described) for each year after calendar year 1950.

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

19 “(B) In the case of an individual who was entitled
20 to a disability insurance benefit for any of the 12 months
21 before the month in which he became entitled to an old-age
22 insurance benefit, became reentitled to a disability insurance
23 benefit, or died, the primary insurance amount for deter-
24 mining any benefit attributable to that entitlement, reentitle-
25 ment, or death is the greater of—

1 “(i) the primary insurance amount upon which
2 that disability insurance benefit was based, increased in
3 the case of the individual who so became entitled, became
4 reentitled, or died, by each general benefit increase (as
5 defined in subsection (i)(3)) and each increase pro-
6 vided under subsection (i)(2) that would have applied
7 to that primary insurance amount had the individual
8 remained entitled to that disability insurance benefit
9 until the month in which he became entitled, reentitled,
10 or died, or

11 “(ii) the amount computed under paragraph (1)
12 (C).

13 “(C) In the case of an individual who was entitled to a
14 disability insurance benefit for any month, and with respect
15 to whom a primary insurance amount is required to be com-
16 puted at any time after the close of the period of the individ-
17 ual’s disability (whether because of that individual’s subse-
18 quent entitlement to old-age insurance benefits, or to a dis-
19 ability insurance benefit based upon a subsequent period of
20 disability, or death), the primary insurance amount so com-
21 puted may in no case be less than the primary insurance
22 amount on the basis of which he most recently received a dis-
23 ability insurance benefit.

24 “(3)(A) Except as otherwise provided by paragraph
25 (4), paragraph (1) applies to—

1 “(i) an individual who was not eligible for an old-
2 age insurance benefit prior to January 1979 and who in
3 that or any succeeding month—

4 “(I) becomes eligible for that benefit,

5 “(II) becomes eligible for a disability insurance
6 benefit, or

7 “(III) dies, and

8 “(ii) an individual described in clause (i) who
9 was eligible for a disability insurance benefit for a month
10 prior to January 1979, (except to the extent that para-
11 graph (4)(A) otherwise provides).

12 “(B) For the purposes of this title, an individual is
13 deemed to be eligible for an old-age insurance benefit begin-
14 ning in the month in which he attains age 62, or for a dis-
15 ability insurance benefit for months beginning in the month in
16 which a period of disability began as described in section
17 216(i)(2)(C), unless less than 12 months have elapsed
18 since the termination of a prior period of disability in which
19 case the month of eligibility with respect to the prior period
20 of disability shall be considered the month of eligibility.

21 “(4) Paragraph (1) does not apply to the computa-
22 tion or recomputation of a primary insurance amount for—

23 “(A) an individual who was eligible for a dis-
24 ability insurance benefit for a month prior to January
25 1979 unless, prior to the month in which there occurs

1 *the event described in clause (i)(I), (i)(II), or (i)*
2 *(III) of paragraph (3)(A), there occurs a period of*
3 *at least 12 consecutive months for which he was not*
4 *entitled to a disability insurance benefit, or*

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

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

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

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

20 *“(I) the table of benefits in effect in December*
21 *1978 shall apply without regard to any increase in*
22 *that table which becomes effective (in accordance with*
23 *subsection (i)(4)) for years after 1978 except as*
24 *provided in subsection (i)(2)(A)(iii), and*

1 “(II) the individual's average monthly wage
2 shall be computed as provided by subsection (b)(4).

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

8 (b) Section 215(b) (except the caption thereof) is
9 amended to read as follows:

10 “(b)(1) The amount of an individual's average indexed
11 monthly earnings is equal to the quotient obtained by
12 dividing—

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

17 “(B) the number of months in those years.

18 “(2)(A) The number of an individual's benefit com-
19 putation years equals the number of elapsed years, reduced
20 by five, except that the number of an individual's benefit com-
21 putation years may not be less than two.

22 “(B) For purposes of this subsection—

23 “(i) the term ‘benefit computation years’ means, in
24 the case of any individual, those computation base years,
25 equal in number to the number determined under sub-

1 *paragraph (A) of this paragraph, for which the total of*
 2 *the individual's wages and self-employment income, after*
 3 *adjustment under paragraph (3), is the largest;*

4 *“(ii) the term ‘computation base years’ means, in*
 5 *the case of any individual, the calendar years after 1950*
 6 *and prior to the earlier of—*

7 *“(I) in the case of an individual entitled to*
 8 *old-age insurance benefits, the year in which oc-*
 9 *curred (whether by reason of section 202(j)(1) or*
 10 *otherwise) the first month of that entitlement;*

11 *“(II) in the case of an individual who has died,*
 12 *the year succeeding the year of his death;*
 13 *except that such term excludes any calendar year entirely*
 14 *included in a period of disability; and*

15 *“(iii) the term ‘number of elapsed years’ means, in*
 16 *the case of any individual, except as otherwise provided*
 17 *by section 104(j) of the Social Security Amendments of*
 18 *1972 (Public Law 92-603), the number of calendar*
 19 *years after 1950 (or, if later, the year in which the indi-*
 20 *vidual attained age 21) and before the year in which the*
 21 *individual died, or, if it occurred after 1960, the year in*
 22 *which he attained age 62; except that such term excludes*
 23 *any calendar year any part of which is included in a*
 24 *period of disability.*

25 *“(3)(A) Except as provided by subparagraph (B),*

1 *the wages paid in and self-employment income credited to*
2 *each of an individual's computation base years for purposes*
3 *of the selection therefrom of benefit computation years under*
4 *paragraph (2) is deemed equal to the product of—*

5 “(i) *the wages and self-employment income credited*
6 *to such year, and*

7 “(ii) *the quotient obtained by dividing—*

8 “(I) *the average of the wages (as defined in*
9 *section 230(e)) of all employees as reported to the*
10 *Secretary of the Treasury for the second calendar*
11 *year (after 1976) preceding the earliest of the year*
12 *of the individual's death, eligibility for an old-age*
13 *insurance benefit, or eligibility for a disability insur-*
14 *ance benefit (except that the year in which the indi-*
15 *vidual dies, or becomes eligible, shall not be con-*
16 *sidered as such year if the individual was entitled*
17 *to disability insurance benefits for any month in the*
18 *12-month period immediately preceding such death*
19 *or eligibility but there shall be counted instead the*
20 *year of the individual's eligibility for the disability*
21 *insurance benefit to which he was entitled in such*
22 *12-month period), by*

23 “(II) *the average of the wages (as so defined)*
24 *of all employees as reported to the Secretary of the*

1 *Treasury for the computation base year for which*
 2 *the determination is made.*

3 *“(B) Wages paid in or self-employment income credited*
 4 *to an individual’s computation base year—*

5 *“(i) which occurs after the second calendar year*
 6 *specified in subparagraph (A)(ii)(I), where applicable,*
 7 *or*

8 *“(ii) in a year which under subsection (f)(2)(C)*
 9 *is considered to be the last year of the period specified*
 10 *in subsection (b)(2)(B)(ii),*
 11 *are available for use in determining an individual’s benefit*
 12 *computation years, but without applying subparagraph (A)*
 13 *of this paragraph.*

14 *“(4) In determining the average monthly wage of an*
 15 *individual whose primary insurance amount is computed*
 16 *(after 1978) under section 215(a) or 215(d) as in effect*
 17 *(except with respect to the table contained therein) in Decem-*
 18 *ber 1978, by reason of subsection (a)(4)(B), this subsection*
 19 *as in effect in December 1978 remains in effect, except that*
 20 *paragraph (2)(C) (as then in effect) is deemed to provide*
 21 *that ‘computation base years’ include only calendar years in*
 22 *the period after 1950 (or 1936, if applicable) and prior to*
 23 *the year in which occurred the first month for which the indi-*
 24 *vidual was eligible (as defined in subsection (a)(3)(B) of*
 25 *this section as in effect in January 1979) for an old-age or*

1 disability insurance benefit, or died. Any calendar year all of
 2 which is included in a period of disability shall not be in-
 3 cluded as a computation base year.”.

4 (c) Section 215(c) (except the caption thereto) is
 5 amended to read as follows:

6 “(c) This subsection, as in effect in December 1978,
 7 shall remain in effect with respect to an individual to whom
 8 subsection (a)(1) does not apply by reason of the indi-
 9 vidual’s eligibility for an old-age insurance or disability in-
 10 surance benefit, or the individual’s death, prior to 1979.”.

11 (d)(1) The matter in section 215(d) which precedes
 12 subparagraph (C) of paragraph (1) is amended to read as
 13 follows:

14 “(d)(1) For the purpose of column I of the table
 15 appearing in subsection (a) of this section, as that sub-
 16 section was in effect in December 1977, an individual’s pri-
 17 mary insurance benefit shall be computed as follows:

18 “(A) The individual’s average monthly wage shall
 19 be determined as provided in subsection (b) of this sec-
 20 tion, as in effect in December 1977 (but without regard
 21 to paragraph (4) thereof), except that for purposes of
 22 paragraphs (2)(C) and (3) of that subsection (as so
 23 in effect), 1936 shall be used instead of 1950.

24 “(B) For purposes of subparagraphs (B) and (C)
 25 of subsection (b)(2) (as so in effect), the total wages

1 *prior to 1951 (as defined in subparagraph (C) of this*
2 *paragraph) of an individual who attained age 21 after*
3 *1936 and prior to 1951 shall be divided by the number*
4 *of years (hereinafter in this subparagraph referred to*
5 *as the 'divisor') elapsing after the year in which the*
6 *individual attained age 21 and prior to the earlier of*
7 *1951 or the year of the individual's death. The quotient*
8 *so obtained is deemed to be the individual's wages*
9 *credited for each of the years included in the divisor*
10 *except—*

11 *“(i) if the quotient exceeds \$3,000, only \$3,000*
12 *is deemed to be the individual's wages for each of the*
13 *years included in the divisor, and the remainder of*
14 *the individual's total wages prior to 1951 (I) if*
15 *less than \$3,000, is deemed credited to the year*
16 *immediately preceding the earliest year used in the*
17 *divisor, or (II) if \$3,000 or more, is deemed*
18 *credited, in \$3,000 increments, to the year in which*
19 *the individual attained age 21 and to each year*
20 *consecutively preceding that year, with any re-*
21 *mainder less than \$3,000 credited to the year prior*
22 *to the earliest year to which a full \$3,000 incre-*
23 *ment was credited; and*

24 *“(ii) no more than \$42,000 may be taken*

1 into account, for purposes of this subparagraph, as
2 total wages after 1936 and prior to 1951.”.

3 (2) Section 215(d)(1)(D) is amended to read as
4 follows:

5 “(D) The individual’s primary insurance benefits
6 shall be 40 per centum of the first \$50 of his average
7 monthly wage as computed under this subsection, plus
8 10 per centum of the next \$200 of his average monthly
9 wage; increased by 1 per centum for each increment
10 year. The number of increment years is the number,
11 not more than 14 nor less than 4, that is equal to the
12 individual’s total wages prior to 1951 divided by \$1,650
13 (disregarding any fraction).”.

14 (3) Section 215(d)(3) is amended (A) by striking
15 subparagraphs (A) and (B), and (B) by striking the dash
16 after “individual” and inserting instead the text of the
17 stricken subparagraph (B).

18 (4) Section 215(d) is amended by adding at the end
19 the following new paragraph:

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

24 (e) Section 215(e) is amended—

25 (1) by striking out “average monthly wage” each

1 time it appears and inserting instead "average indexed
2 monthly earnings or, in the case of an individual whose
3 primary insurance amount is computed under section
4 215(a) as in effect prior to January 1979, average
5 monthly wage," and

6 (2) by inserting immediately before "of (A)" in
7 paragraph (1) the following: "(before the application,
8 in the case of average indexed monthly earnings, of sub-
9 section (b)(3)(A))".

10 (f)(1) Section 215(f)(2) is amended to read as
11 follows:

12 "(2)(A) If an individual has wages or self-employment
13 income for a year after 1978 for any part of which he is
14 entitled to old-age or disability insurance benefits, the Secre-
15 tary shall, at such time or times and within such period as he
16 may by regulation prescribe, recompute the individual's pri-
17 mary insurance amount for that year.

18 "(B) For the purpose of applying subparagraph (A) of
19 subsection (a)(1) to the average indexed monthly earnings
20 of an individual to whom that subsection applies and who
21 receives a recomputation under this paragraph, there shall be
22 used, in lieu of the amounts of those earnings established by
23 clauses (i) and (ii) of subparagraph (B) of that subsection,
24 the amounts that were (or, in the case of an individual de-
25 scribed in subsection (a)(4)(B), would have been) used in

1 the computation of the individual's primary insurance
2 amount prior to the application of this subsection.

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

10 “(D) A recomputation under this paragraph with re-
11 spect to any year shall be effective—

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

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

18 (2) Section 215(f)(3) is repealed.

19 (3) Section 215(f)(4) is amended to read as follows:

20 “(4) A recomputation is effective under this subsection
21 only if it results in a primary insurance amount that is at
22 least \$1.00 higher than the previous primary insurance
23 amount.”.

24 (4) There is added at the end of section 215(f) the
25 following new paragraph:

1 “(7) This subsection, as in effect in December 1978,
 2 shall continue to apply to the recomputation of a primary
 3 insurance amount computed under subsection (a) or (d)
 4 as in effect (without regard to the table contained in subsec-
 5 tion (a)) in that month, and, where appropriate, under sub-
 6 section (d) as in effect in December 1977. For purposes of re-
 7 computing the primary insurance amount under subsection
 8 (a) or (d) (as thus in effect) with respect to an individual to
 9 whom those subsections apply by reason of paragraph (B) of
 10 subsection (a)(4) as in effect after December 1978, no re-
 11 muneration shall be taken into account for the year in which
 12 the individual initially became eligible for an old-age insur-
 13 ance or disability insurance benefit or died, or for any year
 14 thereafter.”.

15 (g)(1) Section 215(i)(2)(A)(ii) is amended to read
 16 as follows:

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

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

24 “(II) the primary insurance amount of each other:

1 individual on which benefit entitlement is based under
2 this title, and

3 “(III) the total monthly benefits based on each
4 primary insurance amount and permitted under section
5 203 (which shall be increased, unless otherwise
6 so increased under another provision of this title, at
7 the same time as the primary insurance amount on
8 which they are based) or, in the case of a primary insurance
9 amount computed under subsection (a) as in effect
10 (without regard to the table contained therein) prior
11 to January 1979, the amount to which the beneficiaries
12 may be entitled under section 203 as in effect in December
13 1978, except as provided by section 203(a) (6)
14 and (7) as in effect after December 1978,

15 but shall not increase a primary insurance amount that is
16 computed under subparagraph (C)(i)(III) of subsection
17 (a)(1) or a primary insurance amount that was computed
18 prior to January 1979 under subsection (a)(3) as then in
19 effect. The increase shall be derived by multiplying each of
20 the amounts described in clauses (I), (II), and (III)
21 (including each of those primary insurance amounts or benefit
22 amounts as previously increased under this subparagraph)
23 by the same percentage (rounded to the nearest one-
24 tenth of 1 percent) as the percentage by which the Consumer
25 Price Index for that cost-of-living computation quarter ex-

ceeds that Index for the most recent prior calendar quarter which was a base quarter under paragraph (1)(A)(ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1)(B). Any amount so increased that is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.”.

(2) Section 215(i)(2)(A) is amended by adding at the end the following new clause:

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

(3) Section 215(i)(2)(D) is amended by striking out all that follows the first sentence, and by inserting instead the following: “He shall also publish in the Federal Register at that time a revision of the amount referred to in subparagraph (C)(i)(I) of subsection (a)(1) and that shall be the amount determined for purposes of such subparagraph (C)(i)(II) under this subsection.”.

1 (4) *There is added at the end of section 215(i) the*
 2 *following new paragraph:*

3 “(4) *This subsection, as in effect in December 1978,*
 4 *shall continue to apply to subsections (a) and (d), as then*
 5 *in effect, with respect to computing the primary insurance*
 6 *amount of an individual to whom subsection (a), as in*
 7 *effect after December 1978, does not apply (including an*
 8 *individual to whom subsection (a) does not apply in any*
 9 *year by reason of paragraph (4)(B) of that subsection,*
 10 *but the application of this subsection in such cases shall be*
 11 *modified by the application of subclause (I) of clause (ii) of*
 12 *such paragraph (4)(B)). For purposes of computing pri-*
 13 *mary insurance amounts and maximum family benefits (other*
 14 *than primary insurance amounts and maximum family bene-*
 15 *fits for individuals to whom such paragraph (4)(B) ap-*
 16 *plies), the Secretary shall publish in the Federal Register*
 17 *revisions of the table of benefits contained in subsection (a),*
 18 *as in effect in December 1978, as required by paragraph (2)*
 19 *(D) of this subsection, as then in effect.”.*

20 (h)(1) *Section 230 of the Social Security Act is*
 21 *amended by adding after subsection (d) (as added by sec-*
 22 *tion 102 of this Act) the following new subsection:*

23 “(e) *For purposes of subsection (b), the term ‘wages’*
 24 *for years after 1976 shall have the meaning assigned to such*
 25 *term by section 3401(a) of the Internal Revenue Code of*

1 1954 and section 3121(a) of such Code (but without regard
 2 to the operation of section 230 of the Social Security Act as
 3 specified therein) to the extent that they are excluded from
 4 such section 3401(a). For years before 1977, the term
 5 'wages' shall be determined under regulations to be promul-
 6 gated by the Secretary."

7 (2) The amendment made by paragraph (1) shall be
 8 applicable to determinations of the Secretary of Health, Edu-
 9 cation, and Welfare, under section 230 of the Social Secu-
 10 rity Act effective in the case of calendar years after 1978.

11 MAXIMUM BENEFITS

12 SEC. 105. (a) The matter in section 203(a) preceding
 13 paragraph (2) thereof is amended to read as follows:

14 "(a)(1) In the case of an individual whose primary
 15 insurance amount has been computed or recomputed under
 16 section 215(a) (1) or (4), or 215(d), as in effect after
 17 December 1978, the total monthly benefits to which benefi-
 18 ciaries may be entitled under section 202 or 223 for a month
 19 on the basis of the wages and self-employment income of
 20 that insured individual shall, except as provided by para-
 21 graph (3), (but prior to any increases resulting from the
 22 application of paragraph (2)(A)(ii)(III) of section
 23 215(i)) be reduced so as not to exceed—

24 "(A) 150 percent of the individual's primary in-

1 *surance amount up to the amount that is established with*
2 *respect to this subparagraph by paragraph (2),*

3 *“(B) 272 percent of the individual’s primary insur-*
4 *ance amount that exceeds the amount to which subpara-*
5 *graph (A) applies but does not exceed an amount*
6 *established with respect to this subparagraph by para-*
7 *graph (2),*

8 *“(C) 134 percent of the individual’s primary in-*
9 *surance amount that exceeds the amount to which sub-*
10 *paragraph (B) applies but does not exceed an amount*
11 *established with respect to this subparagraph by para-*
12 *graph (2), and*

13 *“(D) 175 percent of the individual’s primary*
14 *insurance amount that exceeds the amount established*
15 *by paragraph (2) with respect to subparagraph (C).*

16 *Any such amount that is not a multiple of \$0.10 shall be*
17 *increased to the next higher multiple of \$0.10.*

18 *“(2)(A) For individuals who become eligible for old-*
19 *age or disability insurance benefits or who die in the calendar*
20 *year 1979 the amounts established with respect to subpara-*
21 *graphs (A), (B), and (C) of paragraph (1) are \$236,*
22 *\$342, and \$449, respectively (not counting as the year of*
23 *death or eligibility for purposes of this paragraph the year of*
24 *the individual’s death or eligibility if the individual was en-*
25 *titled to a disability insurance benefit for any of the twelve*

1 months immediately preceding the month of such death or
 2 eligibility, but counting instead, the year of eligibility for
 3 such disability insurance benefit).

4 “(B) For individuals who become eligible for such bene-
 5 fits or who die in a calendar year after 1979 the amount
 6 established with respect to each of those subparagraphs shall
 7 equal the product of the corresponding amount established for
 8 1979 by subparagraph (A) of this paragraph and the quo-
 9 tient obtained under subparagraph (B) (ii) of section 215(a)
 10 (1). Such product shall be rounded in like manner as is
 11 prescribed by section 215(a)(1)(B)(iii).

12 “(C) In each calendar year after 1978 the Secretary
 13 shall publish in the Federal Register, on or before Novem-
 14 ber 1, the formula applicable under this subsection to individ-
 15 uals who become eligible for old-age insurance benefits, become
 16 disabled, or die in the following calendar year.

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

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

1 “(ii) an amount equal to the product of 1.75 and
 2 the primary insurance amount that would be computed
 3 under section 215(a)(1) for that month with respect
 4 to average indexed monthly earnings equal to one-
 5 twelfth of the contribution and benefit base applicable
 6 to employees and the self-employed determined for that
 7 year under section 230.”.

8 (b) Paragraph (2) of section 203(a) (prior to the
 9 amendment made by subsection (a) of this section) is re-
 10 designated as subparagraph (B) (of paragraph (3)), its
 11 three lettered subparagraphs are respectively redesignated
 12 as clauses (i), (ii), and (iii), the word “paragraph” in
 13 the redesignated clause (i) is stricken and the word “sub-
 14 paragraph” is inserted in lieu thereof, its initial word is
 15 stricken and “When” inserted instead, and “, or” as it
 16 appears at the end thereof is stricken and a period inserted
 17 instead.

18 (c) The matter following clause (iii) of the redesignated
 19 subparagraph (B) is amended to read as follows: “but
 20 in any such case (I) subparagraph (A) of this paragraph
 21 shall not be applied to such total of benefits after the applica-
 22 tion of clause (ii) or (iii), and (II) if section 202(k)(2)
 23 (A) was applicable in the case of any such benefit for a
 24 month, and ceases to apply for a month after such month, the
 25 provisions of clause (ii) or (iii) shall be applied, for and

1 *after the month in which section 202(k)(2)(A) ceases to*
2 *apply, as though subparagraph (A) of this paragraph had*
3 *not been applicable to such total of benefits for the last month*
4 *for which clause (ii) or (iii) was applicable.”.*

5 *(d) Paragraph (3) of section 203(a) (prior to the*
6 *amendments made by the preceding provisions of this sec-*
7 *tion) is redesignated as subparagraph (C) (of paragraph*
8 *(3)), and its initial word is stricken and “When” inserted*
9 *instead.*

10 *(e) The matter in section 203(a) that follows para-*
11 *graph (3) (prior to the amendments made by the preceding*
12 *provisions of this section) and precedes paragraph (4)*
13 *(prior to the amendments made by the preceding provisions*
14 *of this section) is stricken and there is inserted instead the*
15 *following:*

16 *“(4) In any case in which benefits are reduced pursuant*
17 *to the preceding provisions of this subsection, the reduction*
18 *shall be made after any deductions under this section and*
19 *after any deductions under section 222(b). Whenever a re-*
20 *duction is made under this subsection in the total of monthly*
21 *benefits to which individuals are entitled for any month on*
22 *the basis of the wages and self-employment income of an*
23 *insured individual, each such benefit other than the old-age*
24 *or disability insurance benefit shall be proportionately de-*
25 *creased.”.*

1 (e) Paragraph (4) of section 203(a) (prior to the
 2 amendments made by the preceding provisions of this sec-
 3 tion) is redesignated as paragraph (5), its initial word is
 4 stricken and "Notwithstanding" inserted instead, and ", or"
 5 at the end thereof is stricken and a period inserted instead.
 6 Subparagraph (A) of such paragraph (4) is amended by
 7 striking out "and section 202(q)" therein. The matter fol-
 8 lowing subparagraph (B) of such paragraph and preceding
 9 the next numbered paragraph is a portion of the redesignated
 10 paragraph (5), and shall be indented accordingly.

11 (f) Paragraph (5) of section 203(a) (prior to the
 12 amendments made by the preceding provisions of this sec-
 13 tion) is repealed, except with respect to an individual who
 14 became eligible for a monthly benefit (as defined in section
 15 215(a)(2)(A)) or died prior to 1979.

16 (g) Following paragraph (5) of section 203(a) (as
 17 amended by this section) there are added the following new
 18 paragraphs:

19 "(6) In the case of any individual who is entitled for
 20 any month to benefits based upon the primary insurance
 21 amounts of two or more insured individuals, one or more
 22 of which primary insurance amounts were determined under
 23 section 215(a) or 215(d) as in effect (without regard to
 24 the table contained therein) prior to January 1979 and one
 25 or more of which primary insurance amounts were deter-

1 mined under section 215(a) (1) or (4), or 215(d), as in
 2 effect after December 1978, the total benefits payable to that
 3 individual and all other individuals entitled to benefits for that
 4 month based upon those primary insurance amounts shall
 5 be reduced to an amount equal to the product of 1.75
 6 and the primary insurance amount that would be computed
 7 under section 215(a)(1) for that month with respect to
 8 average indexed monthly earnings equal to one-twelfth of
 9 the contribution and benefit base determined under section
 10 230 for the year in which that month occurs.

11 “(7) Subject to the preceding paragraph, this subsec-
 12 tion, as in effect in December 1978, shall remain in effect
 13 with respect to a primary insurance amount computed under
 14 section 215 (a) or (d), as in effect (without regard to the
 15 table contained therein) in December 1978, except that a
 16 primary insurance amount so computed with respect to an
 17 individual who first becomes eligible for an old-age or dis-
 18 ability insurance benefit (as defined in section 215(a)
 19 (2)(A)) or dies, after December 1978, shall, instead,
 20 be governed by this section, as in effect after December
 21 1978.”.

22 PAYMENTS TO CERTAIN PUBLIC AND NONPROFIT

23 EMPLOYERS

24 SEC. 106. (a) Part A of title XI of the Social Security
 25 Act is amended by adding at the end thereof the following
 26 new section:

1 *"PAYMENTS TO CERTAIN PUBLIC AND NONPROFIT*

2 *EMPLOYERS*

3 *"SEC. 1132. (a) The Secretary shall, in the case of*
4 *any State having an agreement under section 218 of the*
5 *Social Security Act, or any organization described in section*
6 *501(c)(3), which is exempt from tax under section 501(a)*
7 *for the taxable year, pay to each such State or organization*
8 *(subject to the availability of funds appropriated under the*
9 *provisions of subsection (c)) an amount determined under*
10 *subsection (b). In order to receive a payment under this*
11 *section, a State or organization shall file a claim with respect*
12 *to the taxable year in such form, manner, and at the time*
13 *prescribed by the Secretary by regulations. The Secretary*
14 *shall certify to the Secretary of the Treasury the name and*
15 *address of each State or organization eligible to receive such*
16 *payment, the amount of such payment, and the time at which*
17 *such payment should be made, and the Secretary of the*
18 *Treasury, through the Fiscal Service of the Treasury Depart-*
19 *ment, shall make payments in accordance with the certification*
20 *of the Secretary.*

21 *"(b)(1) The amount payable to a State under subsec-*
22 *tion (a) for the taxable year shall (subject to the provisions*
23 *of subsection (c)) be equal to 50 percent of that portion of*
24 *the amount paid by such State under the provisions of section*
25 *218(e)(1)(A) with respect to remuneration paid to indi-*

1 individuals as employees of such State (or any political subdivi-
 2 sion thereof) during the taxable year, which amount—

3 “(A) was paid as the amount equivalent to the
 4 taxes which would be imposed by section 3111 of the
 5 Internal Revenue Code of 1954 if the services of em-
 6 ployees covered by such State’s agreement under section
 7 218 constituted employment as defined in section 3121
 8 of such Code, and

9 “(B) was paid with respect to remuneration paid
 10 to individuals as employees of such State (or any
 11 political subdivision thereof) which remuneration was
 12 in excess (with respect to any individual during the
 13 taxable year) of the contribution and benefit base appli-
 14 cable with respect to such taxable year, under the pro-
 15 visions of section 230 as such section applies to employees.

16 “(2) The amount payable under subsection (a) to
 17 an organization described in section 501(c)(3) of such Code,
 18 which is exempt from tax under section 501(a) of such Code
 19 for the taxable year, shall be equal to 50 percent of that por-
 20 tion of the taxes paid by such organization under section
 21 3111 of such Code, which taxes—

22 “(A) were paid with respect to remuneration paid
 23 to individuals as employees of such organization during
 24 the taxable year, and

25 “(B) were paid with respect to remuneration paid

1 to individuals as employees of such organization which
2 remuneration was in excess (with respect to any in-
3 dividual during the taxable year) of the contribution and
4 benefit base applicable with respect to such taxable year,
5 under the provisions of section 230 as such section applies
6 to employees.

7 “(c) There are authorized to be appropriated such sums
8 as are necessary to carry out the provisions of this section. If
9 the sums appropriated for any fiscal year for making pay-
10 ments under this section are insufficient to pay in full the
11 total amounts which States and organizations are authorized
12 to receive under this section during such fiscal year, the max-
13 imum amounts which all such States and organizations may
14 receive under this section during such fiscal year shall be
15 ratably reduced. In case additional funds become available
16 for making such payments for any fiscal year during which
17 the preceding sentence is applicable, such reduced amounts
18 shall be increased on the same basis as they were reduced.

19 “(d) Any State receiving a payment under the provisions
20 of this section shall agree to pay (and any such payment shall
21 be made on the condition that such State pay) to any political
22 division thereof a percentage of such payment which percent-
23 age shall be equal to the percentage of the amount paid by
24 such State under section 218(e)(1)(A) for which such
25 State was reimbursed by such political subdivision.”.

1 (b) The amendments made by this section shall be effective
2 with respect to taxable years beginning after December 31,
3 1978.

4 CONFORMING CHANGES

5 SEC. 107. (a) Section 202(m)(1) is amended to read
6 as follows:

7 “(1) In any case in which an individual is entitled to
8 a monthly benefit under this section on the basis of a primary
9 insurance amount computed under section 215 (a) or (d),
10 as in effect after December 1978, on the basis of the wages
11 and self-employment income of a deceased individual for
12 any month and no other person is (without the application
13 of subsection (j)(1)) entitled to a monthly benefit under
14 this section for that month on the basis of those wages and
15 self-employment income, the individual’s benefit amount for
16 that month, prior to reduction under subsection (k)(3),
17 shall not be less than that provided by subparagraph (C)
18 (I) or (C)(II) (whichever is greater) of section 215(a)
19 (1). In any case in which an individual is entitled to a
20 monthly benefit under this section on the basis of a primary
21 insurance amount computed under section 215 as in effect
22 (without regard to the table contained therein) prior to
23 January 1979, that monthly benefit shall be determined
24 under this section as in effect as prescribed by section 215
25 (a)(5) and increased under subsection (i)(4).”.

1 (b) Section 217(b)(1) is amended by inserting “as in
2 effect in December 1978” after “section 215(c)” each time
3 it appears, and after “section 215(d)”.

4 (c) Section 224(a) is amended in the matter follow-
5 ing paragraph (8) by inserting “(determined under section
6 215(b) as in effect prior to January 1979)” after “(A)
7 the average monthly wage”.

8 (d) Section 1839(c)(3)(B) is amended to read as
9 follows:

10 “(B) the monthly premium rate most recently
11 promulgated by the Secretary under this paragraph, in-
12 creased by a percentage determined as follows: The
13 Secretary shall ascertain the primary insurance amount
14 computed under section 215(a)(1), based upon average
15 indexed monthly earnings of \$900, that applied to in-
16 dividuals who became eligible for and entitled to old-age
17 insurance benefits on May 1 of the year of the promulga-
18 tion. He shall increase the monthly premium rate by
19 the same percentage by which that primary insurance
20 amount is increased when, by reason of the law in effect
21 at the time the promulgation is made, it is so com-
22 puted to apply to those individuals on the following
23 May 1.”.

24 (e) Section 202(w) of such Act is amended—

25 (1) by inserting after “section 215(a)(3)” in para-

1 *graph (1) (in the matter preceding subparagraph (A))*
 2 *the following: "as in effect in December 1978 or section*
 3 *215(a)(1)(C)(III) as in effect thereafter";*

4 *(2) by inserting "as in effect in December 1978, or*
 5 *section 215(a)(1)(C)(III) as in effect thereafter,"*
 6 *after "paragraph (3) of section 215(a)" in paragraph*
 7 *(5); and*

8 *(3) by inserting "(whether before, in, or after, De-*
 9 *cember 1978)" after "determined under section 215(a)"*
 10 *in paragraph (5).*

11 *(f) Section 104(j)(2) of the Social Security Amend-*
 12 *ments of 1972 is amended by striking out "215(b)(3)" and*
 13 *inserting in lieu thereof "215(b)(2)(B)(iii)".*

14 *EFFECTIVE DATE PROVISIONS*

15 *SEC. 108. The amendments made by the preceding provi-*
 16 *sions of this Act (other than section 104(d) and 106) shall be*
 17 *effective with respect to monthly benefits and lump-sum death*
 18 *payments under title II of the Social Security Act payable*
 19 *for months after December 1978. The amendments made by*
 20 *section 104(d) shall be effective with respect to monthly*
 21 *insurance benefits of an individual who becomes eligible for*
 22 *an old-age or disability insurance benefit or who dies after*
 23 *December 31, 1977.*

PART B—GENERAL PROVISIONS

LIBERALIZATION OF EARNINGS TEST

SEC. 121. (a) Section 203(f)(8)(B) of the Social Security Act is amended by striking out "The exempt amount" in the matter preceding clause (i) and inserting in lieu thereof "Except as provided in subparagraph (D), the exempt amount".

(b) Section 203(f)(8) of such Act is further amended by adding at the end thereof the following new subparagraph:

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

"(i) shall be \$375 for each month of any taxable year ending after 1977 and before 1979, and

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

(c) No determination or publication of a new exempt amount shall be required to be made under section 203(f)(8)(A) of the Social Security Act, and no notification with respect to an increased exempt amount shall be required to be given under the last sentence of section 203(f)(8)(B) of such Act, in the calendar year 1978 but such a determination, publication, and notification shall be required in calendar years after 1978 and shall be made or given as though the dollar amounts specified in clauses (i) and (ii) of section 203

1 *(f)(8)(D) of such Act (as added by subsection (b) of this*
 2 *section) had been determined (for the taxable years involved)*
 3 *under such section 203(f)(8)(B).*

4 *(d) Subsections (f)(1), (f)(3), (f)(4)(B), and*
 5 *(h)(1)(A) of section 203 of such Act are amended by strik-*
 6 *ing out "\$200 or".*

7 *(e)(1) The amendments made by this section shall be*
 8 *effective (subject to the provisions of paragraph (2)) with*
 9 *respect to taxable years ending after December 31, 1977.*

10 *(2) Prior to October 1, 1978, title II of the Social Secu-*
 11 *rity Act shall be administered as if the amendments made by*
 12 *this section had not been enacted.*

13 **WIDOW'S AND WIDOWER'S INSURANCE BENEFITS IN CASES**
 14 **OF DELAYED RETIREMENT**

15 **SEC. 122.** *(a) Section 202(e)(2)(A) of the Social*
 16 *Security Act is amended (1) by inserting "(as determined*
 17 *after application of the following sentence)" after "primary*
 18 *insurance amount", and (2) by adding at the end thereof*
 19 *the following new sentence: "If such deceased individual*
 20 *was (or upon application would have been) entitled to an*
 21 *old-age insurance benefit which was increased (or subject to*
 22 *being increased) on account of delayed retirement under the*
 23 *provisions of subsection (w), then, for purposes of this*
 24 *subsection, such individual's primary insurance amount*
 25 *shall be deemed to be equal to the old-age insurance benefit*

1 *(increased, where applicable, under section 215(f) (5) or*
2 *(6) and under section 215(i) as if such individual were still*
3 *alive in the case of an individual who has died) which he was*
4 *receiving (or would upon application have received) for the*
5 *month prior to the month in which he died, and (notwith-*
6 *standing the provisions of paragraph (3) of such subsection*
7 *(w)) the number of increment months shall include any*
8 *month in the months of the calendar year in which he died,*
9 *prior to the month in which he died, which satisfy the condi-*
10 *tions in paragraph (2) of such subsection (w)).”.*

11 *(b) Section 202(e)(2)(B)(i) of such Act is amended*
12 *by inserting “and section 215(f)(6) were applied, where*
13 *applicable,” immediately after “living”.*

14 *(c) Section 202(f)(3)(A) of such Act is amended*
15 *(1) by inserting “(as determined after application of the*
16 *following sentence)” after “primary insurance amount”,*
17 *and (2) by adding at the end thereof the following new sen-*
18 *tence: “If such deceased individual was (or upon application*
19 *would have been) entitled to an old-age insurance benefit*
20 *which was increased (or subject to being increased) on*
21 *account of delayed retirement under the provisions of sub-*
22 *section (w), then, for purposes of this subsection, such*
23 *individual’s primary insurance amount shall be deemed to be*
24 *equal to the old-age insurance benefit (increased, where appli-*
25 *cable, under section 215(f) (5) or (6) and under section*

1 215(i) as if such individual were still alive in the case of an
 2 individual who has died) which she was receiving (or would
 3 upon application have received) for the month prior to the
 4 month in which she died, and (notwithstanding the provisions
 5 of paragraph (3) of such subsection (w)) the number of
 6 increment months shall include any month in the months of
 7 the calendar year in which she died, prior to the month in
 8 which she died, which satisfy the conditions in paragraph
 9 (2) of such subsection (w).”.

10 (d) Section 202(f)(3)(B)(i) of such Act is amended
 11 by inserting “and section 215(f)(6) were applied, where
 12 appropriate,” after “living,”.

13 (e) Section 203(a) (as amended by section 105(g))
 14 is further amended by adding at the end thereof the following
 15 new paragraph:

16 “(8) when—

17 “(A) one or more persons were entitled (with-
 18 out the application of section 202(j)(1) and sec-
 19 tion 223(b)) to monthly benefits under section 202
 20 or 223 for December 1977 on the basis of the wages
 21 and self-employment income of an individual,

22 “(B) the benefit of at least one such person
 23 for January 1978 is increased by reason of the
 24 amendments made by section 109 of the Social Se-
 25 curity Amendments of 1977; and

1 “(C) the total amount of benefits to which all
 2 such persons are entitled under such section 202
 3 are reduced under the provisions of this subsection
 4 (or would be so reduced except for the first sentence
 5 of section 203(a)(4)),
 6 then the amount of the benefit to which each such person is
 7 entitled for months after December 1977 shall be increased
 8 (after such reductions are made under this subsection) to
 9 the amount such benefit would have been if the benefit of the
 10 person or persons referred to in subparagraph (B) had not
 11 been so increased.”.

12 (f) The amendments made by this section shall be ef-
 13 fective with respect to monthly insurance benefits under title
 14 II of the Social Security Act for months after December
 15 1977.

16 REDUCED BENEFITS FOR SPOUSES RECEIVING
 17 GOVERNMENT PENSIONS

18 SEC. 123. (a)(1) Section 202(b)(2) of the Social
 19 Security Act is amended by inserting after “subsection (q)”
 20 the following: “and paragraph (4) of this subsection”.

21 (2) Section 202(b) of such Act is amended by adding at
 22 the end thereof the following new paragraph:

23 “(4)(A) The amount of a wife’s insurance benefit for
 24 each month as determined after application of the provisions
 25 of subsections (q) and (k) shall be reduced (but not below

1 zero) by an amount equal to the amount of any monthly bene-
 2 fit payable to such wife (or divorced wife) for such month
 3 which is based upon her earnings while in the service of the
 4 Federal Government or any State (or political subdivision
 5 thereof, as defined in section 218(b)(2)) if, on the last day
 6 she was employed by such entity, such service did not con-
 7 stitute 'employment' as defined in section 210.

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

18 (b)(1) Section 202(c)(1) is amended—

19 (A) by striking out subparagraph (C);

20 (B) by inserting “and” at the end of subparagraph

21 (B); and

22 (C) by redesignating subparagraph (D) as sub-
 23 paragraph (C).

24 (2) Section 202(c)(2) is amended to read as follows:

25 “(2)(A) The amount of a husband's insurance benefit

1 *for each month as determined after application of the pro-*
 2 *visions of subsections (q) and (k) shall be reduced (but not*
 3 *below zero) by an amount equal to the amount of any monthly*
 4 *benefit payable to such husband for such month which is based*
 5 *upon his earnings while in the service of the Federal Govern-*
 6 *ment or any State (or political subdivision thereof, as defined*
 7 *in section 218(b)(2)) if, on the last day he was employed*
 8 *by such entity, such service did not constitute 'employment'*
 9 *as defined in section 210.*

10 *"(B) For purposes of this paragraph, any periodic*
 11 *benefit which otherwise meets the requirements of subpara-*
 12 *graph (A), but which is paid on other than a monthly basis,*
 13 *shall be allocated on a basis equivalent to a monthly benefit*
 14 *(as determined by the Secretary) and such equivalent*
 15 *monthly benefit shall constitute a monthly benefit for purposes*
 16 *of subparagraph (A). For purposes of this subparagraph,*
 17 *the term 'periodic benefit' includes a benefit payable in a lump*
 18 *sum if it is a commutation of, or a substitute for, periodic*
 19 *payments.'".*

20 *(3) Section 202(c)(3) is amended by inserting after*
 21 *"subsection (q)" the following: "and paragraph (2) of this*
 22 *subsection'".*

23 *(c)(1) Section 202(e)(2)(A) of such Act is amended*
 24 *by striking out "paragraph (4)" and inserting in lieu thereof*
 25 *"paragraphs (4) and (8)".*

1 (2) Section 202(e) of such Act is amended by adding
2 at the end thereof the following new paragraph:

3 “(8)(A) The amount of a widow’s insurance benefit
4 for each month as determined (after application of the pro-
5 visions of subsection (q), paragraph (2)(B), and paragraph
6 (4)) shall be reduced (but not below zero) by an amount
7 equal to the amount of any monthly benefit payable to such
8 widow (or surviving divorced wife) for such month which is
9 based upon her earnings while in the service of the Federal
10 Government or any State (or any political subdivision there-
11 of, as defined in section 218(b)(2)) if, on the last day she
12 was employed by such entity, such service did not constitute
13 ‘employment’ as defined in section 210.

14 “(B) For purposes of this paragraph, any periodic
15 benefit which otherwise meets the requirements of subpara-
16 graph (A), but which is paid on other than a monthly basis,
17 shall be allocated on a basis equivalent to a monthly benefit
18 (as determined by the Secretary) and such equivalent monthly
19 benefit shall constitute a monthly benefit for purposes of sub-
20 paragraph (A). For purposes of this subparagraph, the
21 term ‘periodic benefit’ includes a benefit payable in a lump
22 sum if it is a commutation of, or a substitute for, periodic
23 payments.”

24 (d)(1) Section 202(f)(1) is amended—

25 (A) by striking out subparagraph (D); and

1 (B) by redesignating subparagraphs (E), (F),
2 and (G) as subparagraphs (D), (E), and (F), re-
3 spectively.

4 (2) Section 202(f)(2) is amended to read as follows:

5 “(2)(A) The amount of a widower’s insurance benefit
6 for each month (as determined after application of the pro-
7 visions of subsection (q), paragraph (3)(B) and para-
8 graph (5) shall be reduced (but not below zero) by an
9 amount equal to the amount of any monthly benefit payable to
10 such widower for such month which is based upon his earnings
11 while in the service of the Federal Government or any State
12 (or any political subdivision thereof, as defined in section
13 218(b)(2)) if, on the last day he was employed by such
14 entity, such service did not constitute ‘employment’ as defined
15 in section 210.

16 “(B) For purposes of this paragraph, any periodic
17 benefit which otherwise meets the requirements of subpara-
18 graph (A), but which is paid on other than a monthly basis,
19 shall be allocated on a basis equivalent to a monthly benefit
20 (as determined by the Secretary) and such equivalent
21 monthly benefit shall constitute a monthly benefit for purposes
22 of subparagraph (A). For purposes of this subparagraph,
23 the term ‘periodic benefit’ includes a benefit payable in a lump
24 sum if it is a commutation of, or a substitute for, periodic
25 payments.”.

1 (3) Section 202(f)(3)(A) is amended by striking out
2 “paragraph (5)” and inserting in lieu thereof “paragraphs
3 (2) and (5)”.

4 (4)(A) Section 202(f)(7) is amended by striking out
5 “paragraph (1)(G)” and inserting in lieu thereof “para-
6 graph (1)(F)”.

7 (B) Section 226(h)(1)(B) is amended by striking out
8 “subparagraph (G) of section 202(f)(1)” and inserting in
9 lieu thereof “subparagraph (F) of section 202(f)(1)”.

10 (5) Section 202(p)(1) is amended by striking out “sub-
11 paragraph (C) of subsection (c)(1), clause (i) or (ii) of
12 subparagraph (D) of subsection (f)(1), or”.

13 (e)(1) Section 202(g)(2) of such Act is amended by
14 striking out “Such” and inserting in lieu thereof “Except
15 as provided in paragraph (4) of this subsection, such”.

16 (2) Section 202(g) of such Act is amended by adding at
17 the end thereof the following new paragraph:

18 “(4)(A) The amount of a mother’s insurance benefit
19 for each month to which any individual is entitled under this
20 subsection shall be reduced (but not below zero) by an amount
21 equal to the amount of any monthly benefit payable to such
22 individual for such month which is based upon such in-
23 dividual’s earnings while in the service of the Federal Gov-
24 ernment or any State (or political subdivision thereof, as
25 defined in section 218(b)(2)) if, on the last day such indi-

1 vidual was employed by such entity, such service did not
2 constitute 'employment' as defined in section 210.

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

13 (f) The amendments made by this section shall apply
14 with respect to monthly insurance benefits payable under
15 title II of the Social Security Act for months beginning with
16 the month in which this Act is enacted, on the basis of appli-
17 cations filed in or after the month in which this Act is enacted.

18 EMPLOYEES OF MEMBERS OF RELATED GROUPS OF
19 CORPORATIONS

20 Employer Social Security Tax Liability

21 SEC. 124. (a) Section 3121 of the Internal Revenue
22 Code of 1954 (relating to definitions for purposes of the
23 Federal Insurance Contributions Act) is amended by add-
24 ing at the end thereof the following new subsection:

“(s) *CONCURRENT EMPLOYMENT BY TWO OR MORE EMPLOYERS.*—For purposes of sections 3102, 3111, and 3121(a)(1), if two or more corporations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.”.

11 (b) Section 3306 of the Internal Revenue Code of 1954
12 (relating to definitions in respect of unemployment tax) is
13 amended by adding at the end thereof the following subsection:

“(p) *CONCURRENT EMPLOYMENT BY TWO OR MORE EMPLOYERS.*—For purposes of sections 3102, 3111, and 3306(b)(1), if two or more corporations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.”.

24 *Effective Date*

25 (c) The amendments made by this section shall ap-
26 ply with respect to wages paid after December 31, 1978.

LIMITATION ON RETROACTIVE BENEFITS

1 *SEC. 125. (a)(1) The first sentence of section 202(j)*
2
3 *(1) of the Social Security Act is amended by striking out*
4 *"An individual" and inserting "Subject to the limitations con-*
5 *tained in paragraph (4), an individual" in lieu thereof.*

6 *(2) Section 202(j) of such Act is further amended by*
7 *inserting at the end thereof the following new paragraph:*

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

16 *"(B)(i) If the individual applying for retroactive*
17 *benefits is applying for such benefits under subsection (a),*
18 *and there are one or more other persons who would, except*
19 *for subparagraph (A), be entitled for any month, on the*
20 *basis of the wages and self-employment income of such in-*
21 *dividual and because of such individual's entitlement to such*
22 *retroactive benefits, to retroactive benefits under subsection*
23 *(b), (c), or (d) not subject to reduction under subsection*
24 *(q), then subparagraph (A) shall not apply with respect*
25 *to such month or any subsequent month.*

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

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

18 “(iv) As used in this subparagraph, the term “retro-
19 active benefits’ means a benefit to which an individual becomes
20 entitled for a month prior to the month in which application
21 for such benefit is filed.”.

22 (3) Section 226(h) of such Act is amended by adding
23 at the end thereof the following new paragraph:

24 “(4) For the purposes of determining entitlement to
25 hospital insurance benefits under subsection (b) in the case

1 of an individual described in clause (iii) of subsection (b)
 2 (2)(A), the entitlement of such individual to widow's or
 3 widower's insurance benefits under section 202(e) or (f)
 4 by reason of a disability shall be deemed to be the entitle-
 5 ment to such benefits that would result if such entitlement
 6 were determined without regard to the provisions of sec-
 7 tion 202(j)(4).".

8 (b) The amendments made by subsection (a) shall be
 9 effective only with respect to monthly insurance benefits under
 10 title II of the Social Security Act to which an individual be-
 11 comes entitled on the basis of an application filed after the
 12 date of enactment of this Act.

13 DELIVERY OF BENEFIT CHECKS

14 SEC. 126. (a) Title VII of the Social Security Act is
 15 amended by adding at the end thereof the following new
 16 section:

17 "DELIVERY OF BENEFIT CHECKS

18 "SEC. 708. Notwithstanding any other provision of this
 19 Act, when the normal day for delivery of benefit checks un-
 20 der title II or XVI of this Act would, but for the provisions
 21 of this section, fall on a Saturday, Sunday, or legal public
 22 holiday (as defined in section 6103 of title 5, United States
 23 Code), benefit checks for such month shall be mailed for
 24 delivery on the first day preceding such normal delivery day
 25 which is not a Saturday, Sunday, or legal public holiday,

1 *without regard to whether the delivery of such checks is made*
 2 *in the same calendar month in which such normal day for*
 3 *delivery would occur.”.*

4 (b) *The amendment made by subsection (a) of this sec-*
 5 *tion shall be effective on the date of enactment of this Act.*

6 *ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE*
 7 *APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT*

8 *SEC. 127. (a) Section 202(q)(4) of the Social Se-*
 9 *curity Act is amended by striking out all that follows sub-*
 10 *paragraph (B) and inserting in lieu thereof the following:*
 11 *“then the amount of the reduction of such benefit (after the*
 12 *application of any adjustment under paragraph (7)) for*
 13 *each month beginning with the month of such increase in the*
 14 *primary insurance amount, shall be computed under para-*
 15 *graph (1) or (3), whichever applies, as though the increased*
 16 *primary insurance amount had been in effect for and from*
 17 *the month for which the individual first became entitled to*
 18 *such monthly benefit reduced under such paragraph (1) or*
 19 *(3).”.*

20 (b) *Section 202(q) of such Act is amended by adding*
 21 *at the end thereof the following new paragraphs:*

22 *“(10) For purposes of applying paragraph (4), to*
 23 *monthly benefits payable for any month after December*
 24 *1977, to an individual who was entitled to a monthly benefit*
 25 *as reduced under paragraph (1) or (3) prior to January*

1 1978, the amount of reduction of such benefit for the first
 2 month for which such benefit is increased by reason of an
 3 increase in the primary insurance amount of the individual
 4 on whose wages and self-employment income such benefit is
 5 based and for all subsequent months (and similarly for all
 6 subsequent increases) shall be increased by the percentage
 7 increase in such primary insurance amount (such increase
 8 being made in accordance with the provisions of paragraph
 9 (8)). In the case of an individual whose reduced benefit
 10 under this section is increased as a result of the use of an
 11 adjusted reduction period or an additional adjusted reduc-
 12 tion period (in accordance with paragraphs (1) and (3)
 13 of this section), then for the first month for which such in-
 14 crease is effective and for all subsequent months, the amount of
 15 such reduction (after the application of the previous sentence,
 16 if applicable) shall be reduced—

17 “(A) in the case of old-age, wife’s, and husband’s
 18 insurance benefits, by multiplying such amount by the
 19 ratio of (i) the number of months in the adjusted reduc-
 20 tion period to (ii) the number of months in the reduction
 21 period,

22 “(B) in the case of widow’s and widower’s insur-
 23 ance benefits for the month in which such individual
 24 attains age 62, by multiplying such amount by the ratio
 25 of (i) the number of months in the reduction period

1 *beginning with age 62 multiplied by $19/40$ of 1 per-*
2 *cent, plus the number of months in the adjusted reduc-*
3 *tion period prior to age 62 multiplied by $19/40$ of 1 per-*
4 *cent, plus the number of months in the adjusted additional*
5 *reduction period multiplied by $43/240$ of 1 percent to*
6 *(ii) the number of months in the reduction period multi-*
7 *plied by $19/40$ of 1 percent, plus the number of months*
8 *in the additional reduction period multiplied by $43/240$*
9 *of 1 percent, and*

10 *“(C) in the case of widow’s and widower’s insur-*
11 *ance benefits for the month in which such individual*
12 *attains age 65, by multiplying such amount by the ratio*
13 *of (i) the number of months in the adjusted reduction*
14 *period multiplied by $19/40$ of 1 percent, plus the number*
15 *of months in the adjusted additional reduction period*
16 *multiplied by $43/240$ of 1 percent to (ii) the number*
17 *of months in the reduction period beginning with age*
18 *62 multiplied by $19/40$ of 1 percent, plus the number*
19 *of months in the adjusted reduction period prior to*
20 *age 62 multiplied by $19/40$ of 1 percent, plus the number*
21 *of months in the adjusted additional reduction period*
22 *multiplied by $43/240$ of 1 percent,*

23 *such decrease being made in accordance with the provisions*
24 *of paragraph (8).*

1 “(11) When an individual is entitled to more than one
 2 monthly benefit under this title and one or more of such
 3 benefits are reduced under this subsection, the preceding para-
 4 graph of this subsection shall apply separately to each such
 5 benefit reduced under this subsection before the application
 6 of subsection (k) (pertaining to the method by which monthly
 7 benefits are offset when an individual is entitled to more than
 8 one kind of benefit) and the application of this paragraph
 9 shall operate in conjunction with paragraph (3).”.

10 (c)(1) Section 202(q)(7)(C) of the Social Security
 11 Act is amended by striking out “because” and all that follows
 12 and inserting in lieu thereof “because of the occurrence
 13 of an event that terminated her or his entitlement to such
 14 benefits,”.

15 (2) Section 202(q)(3)(H) of such Act is amended
 16 by inserting “for that month or” after “first entitled”.

17 (d) The amendments made by this section shall be effec-
 18 tive with respect to monthly benefits payable for months after
 19 December 1977.

20 INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL

21 SECURITY BENEFITS

22 SEC. 128. (a) Title II of the Social Security Act is
 23 amended by adding at the end thereof the following new
 24 section:

1 “INTERNATIONAL AGREEMENTS

2 “Purpose of Agreement

3 “SEC. 233. (a) *The President is authorized (subject to*
4 *the succeeding provisions of this section) to enter into agree-*
5 *ments establishing totalization arrangements between the social*
6 *security system established by this title and the social security*
7 *system of any foreign country, for the purposes of establishing*
8 *entitlement to and the amount of old-age, survivors, disability,*
9 *or derivative benefits based on a combination of an individ-*
10 *ual's periods of coverage under the social security system*
11 *established by this title and the social security system of such*
12 *foreign country.*

13 “Definitions

14 “(b) *For the purposes of this section—*

15 “(1) *the term ‘social security system’ means, with*
16 *respect to a foreign country, a social insurance or pen-*
17 *sion system which is of general application in the country*
18 *and under which periodic benefits, or the actuarial equiv-*
19 *alent thereof, are paid on account of old age, death, or*
20 *disability; and*

21 “(2) *the term ‘period of coverage’ means a period*
22 *of payment of contributions or a period of earnings*
23 *based on wages for employment or on self-employment*
24 *income, or any similar period recognized as equivalent*
25 *thereto under this title or under the social security system*

1 of a country which is a party to an agreement entered
2 into under this section.

3 *“Crediting Periods of Coverage; Conditions of Payment*
4 *of Benefits*

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

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

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

1 *under which system employment, self-employment, or*
 2 *other service shall result in a period of coverage; and*

3 *“(C) that where an individual’s periods of coverage*
 4 *are combined, the benefit amount payable under this title*
 5 *shall be based on the proportion of such individual’s*
 6 *periods of coverage which was completed under this title.*

7 *“(2) Any such agreement may provide that—*

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

12 *“(B) the benefit paid by the United States to an*
 13 *individual who legally resides in the United States shall*
 14 *be increased to an amount which, when added to the*
 15 *benefit paid by such foreign country, will be equal to the*
 16 *benefit amount which would be payable to an entitled*
 17 *individual based on the first figure in (or deemed to*
 18 *be in) column IV of the table in section 215(a) in the*
 19 *case of an individual becoming eligible for such benefit*
 20 *before January 1, 1979, or based on a primary insur-*
 21 *ance amount determined under section 215(a)(1)(C)*
 22 *(i) (I) or (II) in the case of an individual becoming*
 23 *eligible for such benefit on or after that date.*

24 *“(3) Section 226 shall not apply in the case of any*

1 individual to whom it would not be applicable but for this
 2 section or any agreement or regulation under this section.

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

7 “Regulations

8 “(d) The Secretary of Health, Education, and Welfare
 9 shall make rules and regulations and establish procedures
 10 which are reasonable and necessary to implement and admin-
 11 ister any agreement which has been entered into in accordance
 12 with this section.

13 “Reports to Congress; Effective Date of Agreements

14 “(e) (1) Any agreement to establish a totalization ar-
 15 rangement entered into pursuant to this section shall be trans-
 16 mitted by the President to the Congress together with a report
 17 on the estimated number of individuals who will be affected by
 18 the agreement and the effect of the agreement on the estimated
 19 income and expenditures of the programs established by this
 20 Act.

21 “(2) Such an agreement shall become effective on any
 22 date, provided in the agreement, which occurs after the
 23 expiration of the period, following the date on which the
 24 agreement is transmitted in accordance with paragraph (1),
 25 during which each House of the Congress has been in session

1 on each of 90 days; except that such agreement shall not
 2 become effective if, during such period, either House of the
 3 Congress adopts a resolution of disapproval of the agree-
 4 ment.”.

5 (b)(1) Section 1401 of the Internal Revenue Code of
 6 1954 is amended by adding at the end thereof the following
 7 new subsection:

8 “(c) *RELIEF FROM TAXES IN CASES COVERED BY*
 9 *CERTAIN INTERNATIONAL AGREEMENTS.*—During any
 10 period in which there is in effect an agreement entered into
 11 pursuant to section 233 of the Social Security Act with any
 12 foreign country, the self-employment income of an individ-
 13 ual shall be exempt from the taxes imposed by this section to
 14 the extent that such self-employment income is subject under
 15 such agreement to taxes or contributions for similar purposes
 16 under the social security system of such foreign country.”.

17 (2) Sections 3101 and 3111 of such Code are each
 18 amended by adding at the end thereof the following new sub-
 19 section:

20 “(c) *RELIEF FROM TAXES IN CASES COVERED BY*
 21 *CERTAIN INTERNATIONAL AGREEMENTS.*—During any
 22 period in which there is in effect an agreement entered into
 23 pursuant to section 233 of the Social Security Act with any
 24 foreign country, wages received by or paid to an individual
 25 shall be exempt from the taxes imposed by this section to the

1 extent that such wages are subject under such agreement to
 2 taxes or contributions for similar purposes under the social
 3 security system of such foreign country.”.

4 (3) Section 6051(a) of such Code is amended by add-
 5 ing at the end thereof the following new sentence: “The
 6 amounts required to be shown by paragraph (5) shall not
 7 include wages which are exempted pursuant to sections 3101
 8 (c) and 3111(c) from the taxes imposed by sections 3101
 9 and 3111.”.

10 (4) Notwithstanding any other provision of law, taxes
 11 paid by any individual to any foreign country with respect
 12 to any period of employment or self-employment which is
 13 covered under the social security system of such foreign coun-
 14 try in accordance with the terms of an agreement entered
 15 into pursuant to section 233 of the Social Security Act shall
 16 not, under the income tax laws of the United States, be
 17 deductible by, or creditable against the income tax of, any
 18 such individual.

19 **COVERAGE OF NONPROFIT ORGANIZATIONS WHICH**

20 **FAILED TO FILE WAIVER CERTIFICATES**

21 **SEC. 129. (a) (1)** Section 3121(k)(5) of the Internal
 22 Revenue Code of 1954 (relating to constructive filing of
 23 certificate where refund or credit has been made and new
 24 certificate is not filed) is amended—

25 (A) by striking out “prior to the expiration of 180

1 *days after the date of the enactment of this paragraph,”*
2 *in subparagraph B and inserting in lieu thereof “prior*
3 *to January 1, 1978,”; and*

4 *(B) by striking out “the 181st day after the date*
5 *of the enactment of this paragraph,” and “such 181st*
6 *day” in the matter following subparagraph (B) and*
7 *inserting in lieu thereof in each instance “January 1,*
8 *1978,”.*

9 *(2) Section 3121(k)(7) of such Code (relating to*
10 *payment of both employee and employer taxes for retro-*
11 *active period by organization in cases of constructive filing)*
12 *is amended—*

13 *(A) by striking out “prior to the expiration of 180*
14 *days after the date of the enactment of this paragraph”*
15 *and inserting in lieu thereof “prior to January 1,*
16 *1978,”;*

17 *(B) by striking out “the 181st day after such*
18 *date,” and inserting in lieu thereof “January 1, 1978,”;*
19 *and*

20 *(C) by striking out “prior to the first day of the*
21 *calendar quarter in which such 181st day occurs” and*
22 *inserting in lieu thereof “prior to that date”.*

23 *(3) Section 3121(k)(8) of such Code (relating to*
24 *extended period for payment of taxes for retroactive cover-*
25 *age) is amended—*

1 (A) by striking out "by the end of the 180-day
2 period following the date of the enactment of this para-
3 graph" and inserting in lieu thereof "prior to January 1,
4 1978,";

5 (B) by striking out "within that period" and in-
6 serting in lieu thereof "prior to January 1, 1978"; and

7 (C) by striking out "on the 181st day following
8 that date" and inserting in lieu thereof "on that date".

9 (b)(1) Section 3121(k)(4) of the Internal Revenue
10 Code of 1954 (relating to constructive filing of certificate
11 where no refund or credit of taxes has been made) is
12 amended by adding at the end thereof the following new
13 subparagraph:

14 “(C) In the case of any organization which is
15 deemed under this paragraph to have filed a valid
16 waiver certificate under paragraph (1), if—

17 “(i) the period with respect to which the
18 taxes imposed by sections 3101 and 3111 were
19 paid by such organization (as described in sub-
20 paragraph (A)(ii)) terminated prior to Octo-
21 ber 1, 1976, or

22 “(ii) the taxes imposed by sections 3101
23 and 3111 were not paid during the period re-
24 ferred to in clause (i) (whether such period has
25 terminated or not) with respect to remuneration

1 *paid by such organization to individuals who*
2 *became its employees after the close of the calen-*
3 *dar quarter in which such period began,*
4 *taxes under sections 3101 and 3111—*

5 “(iii) *in the case of an organization which*
6 *meets the requirements of this subparagraph by*
7 *reason of clause (i), with respect to remunera-*
8 *tion paid by such organization after the termi-*
9 *nation of the period referred to in clause (i) and*
10 *prior to July 1, 1977; or*

11 “(iv) *in the case of an organization which*
12 *meets the requirements of this subparagraph by*
13 *reason of clause (ii), with respect to remunera-*
14 *tion paid prior to July 1, 1977, to individuals*
15 *who became its employees after the close of the*
16 *calendar quarter in which the period referred*
17 *to in clause (i) began,*

18 *which remain unpaid on the date of the enactment*
19 *of this subparagraph, or which were paid after*
20 *October 19, 1976, but prior to the date of the enact-*
21 *ment of this subparagraph, shall not be due or pay-*
22 *able (or, if paid, shall be refunded); and the certifi-*
23 *cate which such organization is deemed under this*
24 *paragraph to have filed shall not apply to any serv-*
25 *ice with respect to the remuneration for which the*

1 *taxes imposed by sections 3101 and 3111 (which*
 2 *remain unpaid on the date of the enactment of this*
 3 *subparagraph, or were paid after October 19, 1976,*
 4 *but prior to the date of the enactment of this sub-*
 5 *paragraph) are not due and payable (or are re-*
 6 *funded) by reason of the preceding provisions of this*
 7 *subparagraph. In applying this subparagraph for*
 8 *purposes of title II of the Social Security Act, the*
 9 *period during which reports of wages subject to the*
 10 *taxes imposed by section 3101 and 3111 were made*
 11 *by any organization may be conclusively treated as*
 12 *the period (described in subparagraph (a)(ii))*
 13 *during which the taxes imposed by such sections were*
 14 *paid by such organization.”.*

15 (2) Section 3121(k)(4)(A) of such Code is amended
 16 by inserting “(subject to subparagraph (C))” after “effec-
 17 tive” in the matter following clause (ii).

18 (3) Section 3121(k)(6) of such Code (relating to
 19 application of certain provisions to cases of constructive
 20 filing) is amended by inserting “(except as provided in para-
 21 graph (4)(C))” after “services involved” in the matter
 22 preceding subparagraph (A).

23 (c) In any case where—

24 (1) an individual performed service, as an employee
 25 of an organization which is deemed under section 3121

1 *(k)(4) of the Internal Revenue Code of 1954 to have*
2 *filed a waiver certificate under section 3121(k)(1) of*
3 *such Code, on or after the first day of the applicable*
4 *period described in subparagraph (A)(ii) of such sec-*
5 *tion 3121(k)(4) and before July 1, 1977; and*
6 *(2) the service so performed does not constitute*
7 *employment (as defined in section 210(a) of the Social*
8 *Security Act and section 3121(b) of such Code) because*
9 *the waiver certificate which the organization is deemed*
10 *to have filed is made inapplicable to such service by sec-*
11 *tion 3121(k)(4)(C) of such Code, but would constitute*
12 *employment (as so defined) in the absence of such section*
13 *3121(k)(4)(C),*
14 *the remuneration paid for such service shall, upon the request*
15 *of such individual (filed on or before April 15, 1980, in such*
16 *manner and form, and with such official, as may be pre-*
17 *scribed by regulations made under title II of the Social Secu-*
18 *rity Act) accompanied by full payment of all of the taxes*
19 *which would have been paid under section 3101 of such*
20 *Code with respect to such remuneration but for such section*
21 *3121(k)(4)(C) (or by satisfactory evidence that appropri-*
22 *ate arrangements have been made for the payment of such*
23 *taxes in installments as provided in section 3121(k)(8) of*
24 *such Code), be deemed to constitute remuneration for*
25 *employment as so defined. In any case where remuneration*

1 paid by an organization to an individual is deemed under
 2 the preceding sentence to constitute remuneration for
 3 employment, such organization shall be liable (notwith-
 4 standing any other provision of such Code) for payment of
 5 the taxes which it would have been required to pay under
 6 section 3111 of such Code with respect to such remuneration
 7 in the absence of such section 3121(k)(4)(C).

8 (d) Section 3121(k)(8) of the Internal Revenue Code
 9 of 1954 (relating to extended period for payment of taxes for
 10 retroactive coverage), as amended by subsection (a)(3) of
 11 this Act, is amended to read as follows:

12 “(8) EXTENDED PERIOD FOR PAYMENT OF TAXES
 13 FOR RETROACTIVE COVERAGE.—Notwithstanding any
 14 other provision of this title, in any case where—

15 “(A) an organization is deemed under para-
 16 graph (4) to have filed a valid waiver certificate
 17 under paragraph (1), but the applicable period
 18 described in paragraph (4)(A)(ii) has terminated
 19 and part or all of the taxes imposed by sections 3101
 20 and 3111 with respect to remuneration paid by such
 21 organization to its employees after the close of such
 22 period remains payable notwithstanding paragraph
 23 (4)(C), or

24 “(B) an organization described in paragraph
 25 (5)(A) files a valid waiver certificate under para-

1 *graph (1) by December 31, 1977, as described in*
2 *paragraph (5)(B), or (not having filed such a cer-*
3 *tificate by that date) is deemed under paragraph*
4 *(5) to have filed such a certificate on January 1,*
5 *1978, or*

6 *“(C) an individual files a request under section*
7 *3 of Public Law 94-563, or under section 3 of the*
8 *Act which added paragraph (4)(C) of this sub-*
9 *section, to have service treated as constituting*
10 *remuneration for employment (as defined in section*
11 *3121(b) and in section 210(a) of the Social*
12 *Security Act),*

13 *the taxes due under sections 3101 and 3111 with respect*
14 *to services constituting employment by reason of such*
15 *certificate for any period prior to the first day of the*
16 *calendar quarter in which the date of such filing or con-*
17 *structive filing occurs, or with respect to service consti-*
18 *tuting employment by reason of such request, may be*
19 *paid in installments over an appropriate period of time,*
20 *as determined under regulations prescribed by the Secre-*
21 *tary, rather than in a lump sum.”.*

22 *(e) The first sentence of section 3 of Public Law 94-563*
23 *(in the matter following paragraph (3)) is amended—*

24 *(1) by inserting “on or before April 15, 1980,”*
25 *after “filed”; and*

1 (2) by inserting "or by satisfactory evidence that
 2 appropriate arrangements have been made for the repay-
 3 ment of such taxes in installments as provided in sec-
 4 tion 3121(k)(8) of such Code" after "so refunded
 5 or credited".

6 (f) Section 3121(k)(4)(A)(i) of the Internal Revenue
 7 Code of 1954 (relating to constructive filing of certificate
 8 where no refund or credit of taxes has been made) is amended
 9 by striking out "or any subsequent date" and inserting in lieu
 10 thereof "(or, if later, as of the earliest date on which it satis-
 11 fies clause (ii) of this subparagraph.)".

12 (g) The amendments made by subsections (a), (b),
 13 (d), (e), and (f) shall be effective as though they had been
 14 included as a part of the amendments made to section 3121
 15 (k) of the Internal Revenue Code of 1954 by the first section
 16 of Public Law 94-563 (or, in the case of the amendments
 17 made by subsection (e), as a part of section 3 of such Public
 18 Law).

19 TITLE II—MISCELLANEOUS

20 STUDIES AND REPORTS

21 SEC. 201. (a) The Secretary of Labor, in consultation
 22 with the Secretary of Health, Education, and Welfare, shall
 23 immediately study the need to develop a special Consumer
 24 Price Index for the elderly. Not later than 6 months after
 25 the date of enactment of this Act, the Secretary of Labor and

1 *the Secretary of Health, Education, and Welfare shall each*
2 *submit to the Congress a report of his findings and recom-*
3 *mendations with respect to the need for such an index, to-*
4 *gether with an estimate of the financial impact that such an*
5 *index would have on the costs of the programs established*
6 *under the Social Security Act.*

7 *(b)(1) The Secretary of Health, Education, and Wel-*
8 *fare, in consultation with the Task Force on Sex Discrimi-*
9 *nation in the Department of Justice, shall make a detailed*
10 *study, within the Department of Health, Education, and Wel-*
11 *fare and the Social Security Administration, of proposals to*
12 *eliminate dependency as a factor in the determination of en-*
13 *titlement to spouse's benefits under the program established*
14 *under title II of the Social Security Act, and of proposals*
15 *to bring about equal treatment for men and women in any*
16 *and all respects under such program, taking into account*
17 *the practical effects (particularly the effect upon women's*
18 *entitlement to such benefits) of factors such as—*

19 *(A) changes in the nature and extent of women's*
20 *participation in the labor force,*

21 *(B) the increasing divorce rate, and*

22 *(C) the economic value of women's work in the*
23 *home.*

24 *The study shall include appropriate cost analyses.*

25 *(2) The Secretary shall submit to the Congress within*

1 *six months after the date of enactment of this Act, a full*
2 *report on the study carried out under paragraph (1).*

3 *APPOINTMENT OF HEARING EXAMINERS*

4 *SEC. 202. The persons who were appointed to serve as*
5 *hearing examiners under section 1631(d)(2) of the Social*
6 *Security Act (as in effect prior to January 2, 1976), and*
7 *who by section 3 of Public Law 94-202 were deemed to be*
8 *appointed under section 3105 of title 5, United States Code*
9 *(with such appointments terminating no later than at the*
10 *close of the period ending December 31, 1978), shall be*
11 *deemed appointed to career-absolute positions as hearing*
12 *examiners under and in accordance with section 3105 of*
13 *title 5, United States Code, with the same authority and*
14 *tenure (without regard to the expiration of such period) as*
15 *hearing examiners appointed directly under such section*
16 *3105, and shall receive compensation at the same rate as*
17 *hearing examiners appointed by the Secretary of Health,*
18 *Education, and Welfare directly under such section 3105.*
19 *All of the provisions of title 5, United States Code, and the*
20 *regulations promulgated pursuant thereto, which are applica-*
21 *ble to hearing examiners appointed under such section 3105,*
22 *shall apply to the persons described in the preceding sentence.*

23 *REPORT OF ADVISORY COUNCIL ON SOCIAL SECURITY*

24 *SEC. 203. Notwithstanding the provisions of section*
25 *706(d) of the Social Security Act, the report of the*

1 *Advisory Council on Social Security which is due not later*
 2 *than January 1, 1979, may be filed at any date prior to*
 3 *October 1, 1979.*

4 *TITLE III—PROVISIONS RELATING TO CER-*
 5 *TAIN STATE WELFARE AND SERVICE*
 6 *PROGRAMS RECEIVING FEDERAL FINAN-*
 7 *CIAL ASSISTANCE*

8 *FISCAL RELIEF FOR STATES AND POLITICAL SUBDIVISIONS*
 9 *THEREOF WITH RESPECT TO COSTS OF WELFARE*
 10 *PROGRAMS*

11 *SEC. 301. Section 403 of the Social Security Act is*
 12 *amended—*

13 *(1) in subsection (a), by adding at the end thereof*
 14 *the following new paragraph:*

15 *“In the case of calendar quarters beginning after Septem-*
 16 *ber 30, 1977, and prior to April 1, 1978, the amount to be*
 17 *paid to each State (as determined under the preceding pro-*
 18 *visions of this subsection or section 1118, as the case may be)*
 19 *shall be increased in accordance with the provisions of sub-*
 20 *section (i) of this section.”; and*

21 *(2) by adding at the end thereof, the following new*
 22 *subsection:*

23 *“(i)(1) In the case of any calendar quarter which*
 24 *begins after September 30, 1977, and prior to April 1,*
 25 *1978, the amount payable (as determined under subsection*

1 *(a) or section 1118, as the case may be) to each State, which*
2 *has a State plan approved under this part, shall (subject to*
3 *the succeeding paragraphs of this subsection) be increased*
4 *by an amount equal to the sum of the following:*

5 *“(A) an amount which bears the same ratio to*
6 *\$100,000,000 as the amount expended as aid to families*
7 *with dependent children under the State plan of such*
8 *State during the month of December 1976 bears to the*
9 *amount expended as aid to families with dependent chil-*
10 *dren under the State plans of all States during such*
11 *month, and*

12 *“(B)(i) in the case of Puerto Rico, Guam, and the*
13 *Virgin Islands, an amount equal to the amount deter-*
14 *mined under subparagraph (A) with respect to such*
15 *State, or*

16 *“(ii) in the case of any other State, an amount which*
17 *bears the same ratio to \$100,000,000, minus the amounts*
18 *determined under clause (i) of this subparagraph, as*
19 *the amount allocated to such State, under section 106 of*
20 *the State and Local Fiscal Assistance Act of 1972 for*
21 *the most recent entitlement period for which allocations*
22 *have been made under such section prior to the date of*
23 *enactment of this subsection, bears to the total of the*
24 *amounts allocated to all States under such section 106*
25 *for such period.*

1 “(2) As a condition of any State receiving an increase,
 2 by reason of the application of the foregoing provisions of
 3 this subsection, in the amount determined for such State
 4 pursuant to subsection (a) or under section 1118 (as the
 5 case may be), such State must agree to pay to any political
 6 subdivision thereof which participates in the cost of the
 7 State’s plan, approved under this part, during any calendar
 8 quarter with respect to which such increase applies, so much
 9 of such increase as does not exceed 90 per centum of such
 10 political subdivision’s financial contribution to the State’s
 11 plan for such quarter.

12 “(3) Notwithstanding any other provision of this part,
 13 the amount payable to any State by reason of the preceding
 14 provisions of this subsection for calendar quarters prior to
 15 April 1, 1978, shall be made in a single installment, which
 16 shall be payable as shortly after October 1, 1977, as is admin-
 17 istratively feasible.”.

18 INCENTIVE ADJUSTMENTS FOR QUALITY CONTROL IN FED-
 19 ERAL FINANCIAL PARTICIPATION IN AID TO FAMILIES
 20 WITH DEPENDENT CHILDREN PROGRAMS

21 SEC. 302. (a) Section 403 of the Social Security Act is
 22 amended by adding after subsection (i) (as added by section
 23 301 of this Act) the following new subsection:

24 “Incentive Adjustments in Federal Financial Participation
 25 “(j) If the dollar error rate of excess payments of aid

1 *furnished by a State under its State plan, approved under*
2 *this part, with respect to any six-month period, as based on*
3 *samples and evaluations thereof, is—*

4 “(1) *at least 4 per centum, the amount of the*
5 *Federal financial participation in the expenditures made*
6 *by the State in carrying out such plan during such*
7 *period shall be determined without regard to the provi-*
8 *sions of this subsection; or*

9 “(2) *less than 4 per centum, the amount of the*
10 *Federal financial participation in the expenditures made*
11 *by the State in carrying out such plan during such*
12 *period shall be the amount determined without regard to*
13 *this subsection, plus, of the amount by which such ex-*
14 *penditures are less than they would have been if the*
15 *erroneous excess payments of aid had been at a rate of*
16 *4 per centum—*

17 “(A) *10 per centum of the Federal share of*
18 *such amount, in case such rate is not less than 3.5*
19 *per centum,*

20 “(B) *20 per centum of the Federal share of*
21 *such amount, in case such rate is at least 3.0 per*
22 *centum but less than 3.5 per centum,*

23 “(C) *30 per centum of the Federal share of*
24 *such amount, in case such rate is at least 2.5 per*
25 *centum but less than 3.0 per centum,*

1 “(D) 40 per centum of the Federal share of
2 such amount, in case such rate is at least 2.0 per
3 centum but less than 2.5 per centum,

4 “(E) 50 per centum of the Federal share of
5 such amount, in case such rate is less than 2.0 per
6 centum.”.

7 (b) Payments may be made under the amendments
8 made by subsection (a) only in the case of periods com-
9 mencing on or after January 1, 1978.

10 ACCESS TO WAGE INFORMATION

11 SEC. 303. (a) Part A of title IV of the Social Security
12 Act is amended by inserting after section 410 the following
13 new section:

14 “ACCESS TO WAGE INFORMATION

15 “SEC. 411. (a) Notwithstanding any other provision of
16 law, the Secretary shall make available to States and political
17 subdivisions thereof wage information contained in the rec-
18 ords of the Social Security Administration which is neces-
19 sary (as determined by the Secretary in regulations) for
20 purposes of determining an individual's eligibility for aid or
21 services, or the amount of such aid or services, under a State
22 plan for aid and services to needy families with children,
23 approved under this part, and which is specifically requested
24 by such State or political subdivision for such purposes.

25 “(b) The Secretary shall establish such safeguards as

1 are necessary (as determined by the Secretary under regula-
 2 tions) to insure that information made available under the
 3 provisions of this section is used only for the purposes au-
 4 thorized by this section.”.

5 (b) Section 3304(a) of the Federal Unemployment Tax
 6 Act is amended by redesignating paragraph (16) as para-
 7 graph (17) and by inserting after paragraph (15) the fol-
 8 lowing new paragraph:

9 “(16)(A) wage information contained in the rec-
 10 ords of the agency administering the State law which is
 11 necessary (as determined by the Secretary of Health,
 12 Education, and Welfare in regulations) for purposes of
 13 determining an individual’s eligibility for aid or services,
 14 or the amount of such aid or services, under a State plan
 15 for aid and services to needy families with children ap-
 16 proved under part A of title IV of the Social Security
 17 Act, shall be made available to a State or political sub-
 18 division thereof, when such information is specifically re-
 19 quested by such State or political subdivision for such
 20 purpose, and

21 “(B) such safeguards are established as are nec-
 22 essary (as determined by the Secretary of Health,
 23 Education, and Welfare in regulations) to insure that
 24 such information is used only for the purposes au-
 25 thorized under subparagraph (A);”.

1 (c) Section 402(a) of the Social Security Act is
2 amended—

3 (1) by striking out the word “and” at the end of
4 paragraph (27);

5 (2) by striking out the period at the end of para-
6 graph (28) and inserting in lieu thereof a semicolon
7 and the word “and”; and

8 (3) by adding at the end thereof the following new
9 paragraph:

10 “(29) Effective October 1, 1979, provide that wage
11 information available from the Social Security Admin-
12 istration under the provisions of section 411 of this Act,
13 and available (under the provisions of section 3304
14 (a)(16) of the Federal Unemployment Tax Act) from
15 agencies administering State unemployment compensation
16 laws, shall be requested and utilized to the extent per-
17 mitted under the provisions of such sections; except that
18 the State shall not be required to request such informa-
19 tion from the Social Security Administration where such
20 information is available from the agency administering
21 the State unemployment compensation laws.”.

22 (d) The amendments made by this section shall be
23 effective on the date of the enactment of this Act.

STATE DEMONSTRATION PROJECTS

1
2 *SEC. 304. Section 1115 of the Social Security Act is*
3 *amended—*

4 *(1) by inserting “(a)” after “SEC. 1115.”;*

5 *(2) by redesignating subsections (a) and (b) as*
6 *paragraphs (1) and (2), respectively; and*

7 *(3) by adding at the end thereof the following new*
8 *subsection:*

9 *“(b)(1) In order to permit the States to achieve more*
10 *efficient and effective use of funds for public assistance, to re-*
11 *duce dependency, and to improve the living conditions and*
12 *increase the incomes of individuals who are recipients of*
13 *public assistance, any State having an approved plan under*
14 *part A of title IV may, subject to the provisions of this sub-*
15 *section, establish and conduct not more than three demon-*
16 *stration projects. In establishing and conducting any such*
17 *project the State shall—*

18 *“(A) provide that not more than one such project*
19 *be conducted on a statewide basis;*

20 *“(B) provide that in making arrangements for*
21 *public service employment—*

22 *“(i) appropriate standards for the health,*
23 *safety, and other conditions applicable to the per-*

1 *formance of work and training on such project are*
 2 *established and will be maintained,*

3 *“(ii) such project will not result in the displace-*
 4 *ment of employed workers,*

5 *“(iii) with respect to such project the condi-*
 6 *tions of work, training, education, and employment*
 7 *are reasonable in the light of such factors as the type*
 8 *of work, geographical region, and proficiency of the*
 9 *participant, and*

10 *“(iv) appropriate workmen’s compensation pro-*
 11 *tection is provided to all participants;*

12 *“(C) provide that participation in any such project*
 13 *by any individual receiving aid to families with de-*
 14 *pendent children be voluntary.*

15 *“(2) Any State which establishes and conducts demon-*
 16 *stration projects under this subsection, may, subject to para-*
 17 *graph (3), with respect to any such project—*

18 *“(A) waive, subject to paragraph (3), any or all*
 19 *of the requirements of sections 402(a)(1) (relating*
 20 *to statewide operation), 402(a)(3) (relating to admin-*
 21 *istration by a single State agency), 402(a)(8) (relating*
 22 *to disregard of earned income), except that no such*
 23 *waiver of 402(a)(8) shall operate to waive any amount*
 24 *in excess of one-half of the earned income of any indi-*

1 *vidual, and 402(a)(19) (relating to the work incentive*
 2 *program);*

3 *“(B) subject to paragraph (4) use to cover the*
 4 *costs of such projects such funds as are appropriated*
 5 *for payment to any such State with respect to the assist-*
 6 *ance which is or would, except for participation in a*
 7 *project under this subsection, be payable to individuals*
 8 *participating in such projects under part A of title IV*
 9 *for any fiscal year in which such demonstration projects*
 10 *are conducted; and*

11 *“(C) use such funds as are appropriated for pay-*
 12 *ments to States under the State and Local Fiscal Assist-*
 13 *ance Act of 1972 for any fiscal year in which such*
 14 *demonstration projects are conducted to cover so much*
 15 *of the costs of salaries for individuals participating*
 16 *in public service employment as is not covered through*
 17 *the use of funds made available under subparagraph*
 18 *(B).*

19 *“(3)(A) Any State which wishes to establish and con-*
 20 *duct demonstration projects under the provisions of this sub-*
 21 *section shall submit an application to the Secretary in such*
 22 *form and containing such information as the Secretary may*
 23 *require. Such State shall be authorized to proceed with such*
 24 *project (i) when such application has been approved by the*
 25 *Secretary, or (ii) forty-five days after the date on which.*

1 *such application is submitted unless the Secretary, during*
2 *such forty-five-day period, disapproves such application.*

3 “(B) Notwithstanding the provisions of paragraph (2)
4 (A), the Secretary may review any waiver made by a State
5 under such paragraph. Upon a finding that any such waiver
6 is inconsistent with the purposes of this subsection and the
7 purposes of part A of title IV, the Secretary may disapprove
8 such waiver. The demonstration project under which any
9 such disapproved waiver was made by such State shall be
10 terminated not later than the last day of the month following
11 the month in which such waiver was disapproved.

12 “(4) Any amount payable to a State under section 403
13 (a) on behalf of an individual participating in a project
14 under this section shall not be increased by reason of the
15 participation of such individual in any demonstration proj-
16 ect conducted under this subsection over the amount which
17 would be payable if such individual were receiving aid to
18 families with dependent children and not participating in
19 such project.

20 “(5) Participation in a project established under this
21 section shall not be considered to constitute employment for
22 purposes of any finding with respect to ‘unemployment’ as
23 that term is used in section 407.

24 “(6) Any demonstration project established and con-
25 ducted pursuant to the provisions of this subsection shall be

1 *conducted for not longer than two years. All demonstration*
 2 *projects established and conducted pursuant to the provisions*
 3 *of this subsection shall be terminated not later than Septem-*
 4 *ber 30, 1980.”.*

5 *EARNED INCOME DISREGARD*

6 *SEC. 305. (a) Section 402(a)(7) of the Social Security*
 7 *Act is amended by striking out “any expenses” and inserting*
 8 *in lieu thereof “any child care expenses”.*

9 *(b) Section 402(a)(8)(A)(ii) of the Social Security*
 10 *Act is amended to read as follows:*

11 *“(ii) in the case of earned income of a*
 12 *dependent child not included under clause (i),*
 13 *a relative receiving such aid, and any other*
 14 *individual (living in the same home as such*
 15 *relative and child) whose needs are taken into*
 16 *account in making such determination, (I) the*
 17 *first \$60 of earned income for individuals who*
 18 *are employed at least forty hours per week, or*
 19 *at least thirty-five hours per week and are earn-*
 20 *ing at least \$92 per week, and (II) the first \$30*
 21 *of earned income for individuals not meeting the*
 22 *criteria of subclause (I), plus (III) in each*
 23 *case, one-third of up to \$300 of additional earn-*
 24 *ings, and one-fifth of such additional earnings*
 25 *in excess of \$300, except that in each case an*

1 *amount equal to the reasonable child care ex-*
2 *penses incurred (subject to such limitations as*
3 *the Secretary may prescribe in regulations) shall*
4 *first be deducted before computing such individ-*
5 *ual's earned income (except that the provisions*
6 *of this clause (ii) shall not apply to earned*
7 *income derived from participation on a project*
8 *maintained under the programs established by*
9 *section 432(b) (2) and (3)); and''.*

10 *(c)(1) The amendments made by this section shall*
11 *become effective on January 1, 1978.*

12 *(2) A State plan for aid and services to needy families*
13 *with children shall not be regarded as failing to comply*
14 *with the requirements imposed with respect to approved State*
15 *plans under part A of title IV of the Social Security Act,*
16 *and the amount payable to any State under such part shall*
17 *not be decreased, solely because such State plan fails to com-*
18 *ply with the requirements of paragraph (7) or (8) of section*
19 *402(a) of the Social Security Act as in effect after the date*
20 *of enactment of this Act and prior to January 1, 1978, if*
21 *such State plan complies with the requirements of such*
22 *paragraphs or amended by this section.*

Amend the title so as to read: "An Act to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to increase the earnings limitation, and for other purposes."

Passed the House of Representatives July 18, 1977.

Attest: EDMUND L. HENSHAW, JR.,
Clerk.

Calendar No. 526

95TH CONGRESS
1ST SESSION

H. R. 5322

[Report No. 95-572]

AN ACT

To provide duty-free treatment for istle.

JULY 20 (legislative day, MAY 18), 1977

Read twice and referred to the Committee on Finance

OCTOBER 21, 1977

Reported with an amendment and an amendment to
the title

NOVEMBER 1 (legislative day, OCTOBER 29), 1977

LEGISLATIVE REPORT

FROM THE
DIRECTOR,
OFFICE OF PROGRAM EVALUATION
AND PLANNING
SOCIAL SECURITY
ADMINISTRATION

Number 15

November 9, 1977

SOCIAL SECURITY FINANCING ACT OF 1977

On November 4, the Senate passed H.R. 9346, the "Social Security Financing Act of 1977," by a vote of 42 to 25. The bill now goes to a House-Senate conference, where differences between the House-passed and Senate-passed versions of the bill will be resolved.

Except as outlined below, the provisions of H.R. 9346 as passed by the Senate are the same as in the bill as reported by the Committee on Finance. The two enclosed press releases issued by the Committee describe the bill as reported.

Floor Amendments

The Senate passed a number of amendments to H.R. 9346 as reported by the Committee.

1. Retirement test

As passed, H.R. 9346 would lower the age at which the retirement test no longer applies from 72 to 70 effective for taxable years ending after 1981.

It would also eliminate the retirement test monthly measure except in the first year in which a beneficiary is both entitled to benefits and has a month in which he does not earn over the monthly measure (or render substantial services if he is self-employed).

The amendment made no change in the increases in the annual exempt amount (to \$4,500 in 1978 and \$6,000 in 1979) as reported by the Senate Finance Committee.

2. Minimum benefit

The initial minimum primary insurance amount (PIA) of future beneficiaries would be frozen at an amount equal to the minimum PIA in effect in January 1979 (estimated to be about \$121). Benefits based on the minimum would be kept up to date with rising prices only after age 62, disability, or death.

3. Semiannual cost-of-living benefit increases

Whenever the consumer price index (CPI) increased at least 4 percent over a 6-month measuring period, social security and supplemental security income (SSI) benefits would be increased automatically by the percentage increase in the CPI. Increases could be effective for June or December for social security benefits and July or January for SSI benefits. If the 4-percent level were not reached over a 6-month measuring period, the present-law measuring period (with a 3-percent trigger) would be used. Under current economic assumptions, this provision is not expected to result in semiannual benefit increases.

4. Disability benefits for the blind

Individuals who are legally blind (20/200 of central visual acuity after correction) would: (a) be considered disabled, regardless of earnings or capacity to work, (b) be insured with only 6 quarters of coverage, regardless of when earned, (c) be provided a special computation, so that only quarters which are quarters of coverage would be used in computing or recomputing benefits, (d) continue to receive disability benefits after age 65 (and not be subject to the retirement test), and (5) not be subject to benefits being suspended even if they refused, without good cause, to undergo vocational rehabilitation services.

5. Workmen's compensation

The workmen's compensation offset provision under present law would be eliminated. Under present law, social security disability insurance benefits are offset for disabled worker beneficiaries under age 62 (and their dependents) if such benefits, in combination with their workmen's compensation, exceed 80 percent of their predisability earnings.

6. Limitation on tax liability of State and local governments and nonprofit organizations

The provision in H.R. 9346 as reported by the Finance Committee for refunding to State and local governmental and nonprofit employers a portion of the amount by which such an employer's tax exceeds the amount of employee tax was deleted. H.R. 9346 as passed would limit such an employer's tax liability for 1979 to the liability that would be incurred for 1979 under the provisions of present law. For 1980 and after, such an employer's tax liability would generally be 90 percent of the liability under the law as amended by the bill, but not less than the 1979 liability. (An exception would be made where 100 percent of such an employer's tax liability under the bill was less than his 1979 tax liability in which case the lower figure would be paid.)

The Senate amendment would also authorize appropriations from general revenues to make up for the loss of social security tax revenues that would occur as a result of enactment of the amendment.

7. Nonprofit organizations

The provisions in H.R. 9346 as reported by the Finance Committee relating to deemed coverage of certain nonprofit organizations was amended: First, to provide for a refund of social security taxes for nonprofit organizations that paid them while waiting for the Internal Revenue Service to approve their requests for tax exempt status. (Such refunds are precluded under present law.) Second, to provide that organizations that received a refund of social security taxes for periods before April 1, 1973 (rather than July 1, 1973, as under present law) would not be required to bring their employees under social security coverage.

8. Coverage

Mississippi

H.R. 9346 would add Mississippi to the 21 States already named in the law that can make social security coverage available to policemen and firemen in positions covered under a State or local retirement system.

New Jersey

H.R. 9346 would add New Jersey to the 20 States already named in the law that can provide social security coverage under the divided retirement system procedure. (Under the "divided retirement system" procedure, coverage may be extended to only those present employees in positions under a retirement system who desire it, with all employees who subsequently enter or reenter positions under the retirement system being covered.)

9. Other amendments

The Senate also added (a) a provision for Federal payments to States as reimbursement for certain incorrect supplementary payments made by States during calendar year 1974 because of the States' reliance on incorrect information furnished by HEW through the State data exchange or because of the States' reliance on benefits paid by HEW, (b) a provision to grant tax credits to offset the expense of college tuition, (c) a provision that cost-of-living increases in social security benefits would not result in a reduction in a beneficiary's veterans' pension and certain types of veterans' compensation payments, and (d) redefined "wheelchair" for Medicare and Medicaid purposes.


Financing

H.R. 9346, as passed by the Senate, provides additional financing to meet the cost of eliminating the retirement test at age 70. The contribution rate schedule and the contribution and benefit base under present law and H.R. 9346 as passed by the Senate are shown on the enclosed table.

Beginning in 1981, the bill would eliminate annual deficits in the combined OASI and DI trust funds. Over the long range--the next 75 years--the OASDI program would have a deficit equal to about 0.2 percent of taxable payroll.

House-Senate Conference Action

H.R. 9346 now goes to a House-Senate conference to resolve differences between the House- and Senate-passed versions of the bill. The conference is expected to begin sometime after Thanksgiving.



Samuel E. Crouch

Director

Office of Program Evaluation and Planning

Enclosures

H.R. 9346 AS PASSED BY THE SENATE

CONTRIBUTION RATE SCHEDULE (In percent)

Calendar Year	Present Law			H.R. 9346		
	OASDI	HI	Total	OASDI	HI	Total
Employees and employers, each						
1977	4.95	0.90	5.85	4.95	0.90	5.85
1978	4.95	1.10	6.05	5.05	1.00	6.05
1979-80	4.95	1.10	6.05	5.085	1.05	6.135
1981	4.95	1.35	6.30	5.35	1.25	6.60
1982-84	4.95	1.35	6.30	5.40	1.25	6.65
1985	4.95	1.35	6.30	5.70	1.35	7.05
1986-89	4.95	1.50	6.45	5.70	1.40	7.10
1990-94	4.95	1.50	6.45	6.15	1.40	7.55
1995-2000	4.95	1.50	6.45	6.70	1.40	8.10
2001-2010	4.95	1.50	6.45	7.30	1.40	8.70
2011 and later	5.95	1.50	7.45	7.80	1.40	9.20

Self-employed persons

1977	7.00	0.90	7.90	7.00	0.90	7.90
1978	7.00	1.10	8.10	7.10	1.00	8.10
1979-80	7.00	1.10	8.10	7.05	1.05	8.10
1981	7.00	1.35	8.35	8.00	1.25	9.25
1982-84	7.00	1.35	8.35	8.10	1.25	9.35
1985	7.00	1.35	8.35	8.55	1.35	9.90
1986-89	7.00	1.50	8.50	8.55	1.40	9.95
1990-94	7.00	1.50	8.50	9.25	1.40	10.65
1995-2000	7.00	1.50	8.50	10.05	1.40	11.45
2001-2010	7.00	1.50	8.50	10.95	1.40	12.35
2011 and later	7.00	1.50	8.50	11.70	1.40	13.10

CONTRIBUTION AND BENEFIT BASE FOR EMPLOYEES, SELF-EMPLOYED, AND EMPLOYERS

Years	Present Law (Employers, Employees, Self-employed)	H.R. 9346	
		Employees/ Self-employed	Employers
1977	\$16,500	\$16,500	\$16,500
1978	17,700	17,700	17,700
1979	18,900 ^{1/}	19,500 ^{2/}	50,000 ^{3/}
1980	20,400 ^{1/}	21,000 ^{2/}	50,000 ^{3/}
1981	21,900 ^{1/}	23,100 ^{2/}	50,000 ^{3/}
1982	23,400 ^{1/}	24,600 ^{2/}	50,000 ^{3/}
1983	24,900 ^{1/}	26,700 ^{2/}	50,000 ^{3/}
1984	26,400 ^{1/}	28,200 ^{2/}	50,000 ^{3/}
1985	27,900 ^{1/}	30,300 ^{2/}	75,000 ^{3/}
1986	29,400 ^{1/}	32,100 ^{2/}	75,000 ^{3/}
1987	31,200 ^{1/}	33,900 ^{2/}	75,000 ^{3/}

^{1/} Estimated.

^{2/} Estimates include additional \$600 increases in 1979, 1981, 1983, and 1985.

^{3/} Specified in H.R. 9346.

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE
November 1, 1977

COMMITTEE ON FINANCE
UNITED STATES SENATE
2227 Dirksen Senate Office Bldg.

SENATE FINANCE COMMITTEE REPORTS SOCIAL SECURITY BILL

The Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance, announced today that the Committee had reported the Social Security Amendments of 1977 (H.R. 5322) to the Senate and taken other action as described below.

Social Security Amendments

The Social Security amendments in the reported bill are, with one exception, the amendments described in the Committee press release dated October 25, 1977.

The change from the provisions described in the October 25 press release concerns the provision which would have provided a refundable tax credit to State and local Governments and to non-profit organizations. Today's Committee action would make the credit available only after funds are appropriated through the regular appropriations process rather than through the tax refund process.

In addition, the reported bill would make a number of changes related to welfare programs. These changes are described below.

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

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

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

<u>If the error rate is:</u>	<u>The State would retain this percent of the Federal savings</u>
At least 3.5 percent but less than 4 percent	10
At least 3 percent but less than 3.5 percent	20
At least 2.5 percent but less than 3 percent	30
At least 2 percent but less than 2.5 percent	40
Less than 2 percent	50

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

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

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

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

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

The welfare amendments added to H.R. 5322 today were previously approved by the Committee in modified form as amendments to the bill H.R. 7200.

Pension Plan Termination Insurance Premium Increase

On October 19, the Committee had agreed to postpone action on a PBGC-proposed increase in its annual insurance premium from \$1.00 to \$2.25 per pension plan participant. Today, the Committee reconsidered its prior decision and agreed that the annual premium for single-employer pension plans under the termination insurance program administered by the Pension Benefit Guaranty Corporation (PBGC) should be increased to \$2.60 per participant.

P R E S S R E L E A S E

FOR IMMEDIATE RELEASE
October 25, 1977

COMMITTEE ON FINANCE
UNITED STATES SENATE
2227 Dirksen Senate Office Bldg.

SUMMARY OF SENATE FINANCE COMMITTEE ACTION ON SOCIAL SECURITY

The Honorable Russell B. Long (D., La.), Chairman of the Committee on Finance, announced today that the agreements which the Committee has reached for changes in the Social Security program will restore the financial soundness of that program both over the next few years and over the traditional long-range financing period of 75 years. The Social Security provisions which have been agreed to by the Committee are summarized below.

Financing Provisions

Revised benefit formula for future retirees. -- A substantial part of the long-range social security deficit under present law results from unintended effects of the automatic cost-of-living increase mechanisms adopted in 1972. The Committee has agreed to make the existing law cost-of-living increase provisions apply only to individuals who are already on the benefit rolls at the time each increase occurs. To assure that the value of benefits for new retirees is maintained, the Committee has agreed to a new formula for computing initial benefits. This new formula will avoid the over-indexing which was characteristic of the present-law formula. Under the new formula, persons retiring in the future will have their benefits determined on the basis of their previous wages after those wages have been adjusted to reflect changes in wage levels occurring in the economy. This approach is generally referred to as wage indexing. The formula adopted is designed to maintain benefit levels as a percent of preretirement income at approximately the same ratio as applied in the case of persons who retired in 1976.

Increase in amount of earnings subject to employer tax. -- Under existing law, the employer share of the social security payroll tax is collected on the first \$16,500 earned by each employee. This amount increases automatically in future years as wages rise and is expected to increase to \$17,700 in 1978. The Committee provision would raise the base for employer taxes to \$50,000 starting in 1979. The employer base will remain at a flat \$50,000 through 1984 and then increase in 1985 to \$75,000. The base will remain at a flat \$75,000 until such time as the employee tax base reaches a level of \$75,000. Thereafter the two bases would be equal and would rise together in relation to the increases in average wages. It is projected that the \$75,000 base would remain in effect until sometime after the turn of the century. (Increasing the amount of wages subject to social security taxes would also result in a similar increase under the railroad retirement program. Since the railroad program has a higher tax rate for employers than for employees (related to certain segments of the benefit structure which are based on labor-industry negotiations), the Committee agreed to limit the applicability of this provision in the case of the railroad system. Under the Committee amendment the increased employer tax base would apply only to that part of the employer tax rate which is equivalent to the social security tax rate.)

Increase in amount of earnings subject to employee (or self-employer) tax. -- In addition to increasing the amount of wages subject to the employer tax, the Committee also approved an increase in the amount of annual earnings subject to the employee or self-employment tax. Under the amendment, there will be four \$600 increases over present law levels in 1979, 1981, 1983, and 1985. As under existing law, the tax base for employees and self-employed persons will also be automatically increased as wage levels rise. The table below shows the projected tax bases under this amendment.

AMOUNT OF EARNINGS SUBJECT TO SOCIAL SECURITY TAX

<u>Years</u>	<u>Present Law</u>	<u>Committee Amendment</u>	
	<u>(Employers, Employees, Self-employed)</u>	<u>Employees/ Self-employed</u>	<u>Employers</u>
1978	\$17,700	\$17,700	\$17,700
1979	18,900	19,500	50,000
1980	20,400	21,000	50,000
1981	21,900	23,100	50,000
1982	23,400	24,600	50,000
1983	24,900	26,700	50,000
1984	26,400	28,200	50,000
1985	27,900	30,300	75,000

Tax rate increase. -- The Committee also approved a modification of the social security tax rate schedules to bring in additional revenue. In order to bring in the revenue in a manner related to the projected outgo of the system, the modified tax rate schedule provides for a series of increases occurring in different years starting with 1979. The tax rate increases approved by the Committee would result in a revised tax rate schedule as shown in the table below. The changes in the Hospital Insurance (HI) rates shown in the table will, in combination with the tax base changes also approved by the Committee, leave the Medicare trust funds in roughly the same position as under existing law. (There would be a small net outflow from the Hospital Insurance fund to the cash benefits fund, but this would not change the year in which the Hospital Insurance fund is projected to become exhausted under present law.)

SOCIAL SECURITY TAX RATES ON EMPLOYER
AND EMPLOYEE (EACH)

	<u>Present Law</u>			<u>Committee amendment</u>		
	<u>OASDI</u> <u>1/</u>	<u>HI</u> <u>2/</u>	<u>Total</u>	<u>OASDI</u> <u>1/</u>	<u>HI</u> <u>2/</u>	<u>Total</u>
1977	4.95%	0.90%	5.85%	4.95%	0.90%	5.85%
1978	4.95%	1.10%	6.05%	5.05%	1.00%	6.05%
1979-80	4.95%	1.10%	6.05%	5.085%	1.05%	6.135%
1981-84	4.95%	1.35%	6.30%	5.35%	1.25%	6.60%
1985	4.95%	1.35%	6.30%	5.65%	1.35%	7.00%
1986-89	4.95%	1.50%	6.45%	5.65%	1.40%	7.05%
1990-94	4.95%	1.50%	6.45%	6.10%	1.40%	7.50%
1995-2000	4.95%	1.50%	6.45%	6.70%	1.40%	8.10%
2001-2010	4.95%	1.50%	6.45%	7.30%	1.40%	8.70%
2011 and after	5.95%	1.50	7.45%	7.80%	1.40%	9.20%

1/ Old-age, survivors, and disability insurance

2/ Hospital insurance

Increase in social security tax rate for self-employment. -- When earnings from self-employment were made subject to the social security tax in 1950, the rate was set at one and one-half times the employee rate. At that time the employee rate was 1.5 percent and the self-employment rate was 2.25 percent. Over the years as tax rates were increased, the one and one-half to one ratio was maintained until 1973 when the cash benefit tax rate for the self-employed was frozen at 7 percent. (When the hospital insurance program was established the self-employment rate for that program was made equal to the employee rate and has remained equal as the rate has increased.) The Committee approved an amendment which would restore the self-employment tax rate for cash benefits to the original ratio of one and one-half times the employee rate effective in 1981.

Refundable tax credit for State and local governments and non-profit organizations. -- The Committee decision described above concerning the employer tax base will result in a higher amount of annual earnings being subject to the employer share of social security taxes than to the employee share starting in 1979. The Committee agreed to partially offset the impact of this increase on nonprofit organizations and State and local governments by allowing them a refundable tax credit equal to 50 percent of their increased tax liability resulting from that change. In other words, the tax credit would equal 50 percent of the difference between the employer's social security tax liability and the employee's social security tax liability for such organizations or governments.

Other Social Security Provisions

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

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

Increased benefits for certain widows. -- Social security benefits for individuals who continue working past age 65 are increased under present law by 1 percent for each year prior to age 72 that the worker did not receive his benefits because of the social security retirement test. This delayed retirement increment which is added to the individual worker's benefit when he does retire or reach age 72 presently applies only to the worker's own benefit and is not passed through to his survivors. The Committee approved an amendment under which any such increment would also be added to the benefit payable to the widow or widower of such an individual.

Elimination of certain dual taxation requirements. -- Under existing law, businesses are ordinarily required to pay social security taxes and Federal unemployment taxes with respect to a given employee only up to the amount of annual wages referred to as the tax base. (Under a provision described above, the tax base for the employer share of the social security tax would be increased to \$50,000 effective in 1979. The base for Federal unemployment taxes is \$6,000 after 1977.) Where a business is organized as a group of related corporations, however, an

employee of any one of those corporations who performs services for more than one of them is treated for employment tax purposes as though he were employed by each of the corporations for which he performs services. Consequently, if his wages exceed the tax base, social security and unemployment taxes may be required to be paid in excess of the wage base. The employer share of these taxes over the wage base is not refunded. The Committee agreed to an amendment under which social security and unemployment taxes in excess of the tax base would not be paid in this type of situation.

Delivery of social security checks. -- The Committee approved an amendment which would assure timely delivery of social security checks when the normal delivery day falls on a weekend or legal holiday. Under present procedures, checks are generally delivered on the third of each month. In some cases when the third falls on a weekend or public holiday, the beneficiary may not receive (or may be unable to cash) the check until after the third. Under the Committee amendment, whenever the third of the month falls on a weekend or legal holiday, social security checks would be delivered on the Friday before the weekend (or on the day preceding the holiday).

Limitation on retroactive social security benefits. -- Persons applying for social security benefits are now allowed to elect to start their entitlement for up to 12 months prior to the month in which they file an application. If these months are months prior to age 65, however, the retroactive benefits are obtained at the cost of a lower permanent benefit amount since benefits paid before age 65 are actuarially reduced. The Committee agreed to an amendment under which retroactive benefits would not be permitted in cases involving entitlement before age 65.

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

The Committee agreed to modify the cost-of-living increase mechanism so that all persons on the rolls at the time of an increase would receive the same percentage increase applied to their actual benefit amounts.

International social security agreements. -- The Committee agreed to a provision which authorizes the President to enter into agreements with other countries to coordinate the social security protection provided for people who work under the social security programs of both the U.S. and the other country. A similar provision was agreed to by the Committee and the Senate in 1973 but did not become law. The Committee decision differs from the earlier provision in that it would allow either House of Congress to disapprove the agreement by simple resolution. Such action would have to be taken within 90 days after the agreement is submitted to the Congress.

Temporary administrative law judges. -- The Committee agreed to a provision under which certain temporary administrative law judges appointed to hear SSI claims some years ago will be appointed as regular administrative law judges in recognition of the experience they have had in the temporary positions. This provision carries out the intent of legislation previously enacted. (P.L. 94-202)

Deemed coverage of certain nonprofit organizations. -- Legislation enacted in the last Congress (P.L. 94-563) deemed certain nonprofit organizations to have waived their immunity from social security taxation. These were organizations which had been paying social security taxes even though they had failed to properly waive their immunity. The Committee agreed to an amendment correcting certain problems created by last year's legislation. The Committee provision would allow organizations affected by P.L. 94-563 additional time to make certain elections and would also eliminate certain retroactive liability for social security taxes which was inadvertently created.

Social security advisory council. -- The Committee agreed to extend the reporting date for the next advisory council on social security. Under existing law, the report is due to be filed by January 1, 1979. The Committee agreed to allow an additional 9 months (until October 1, 1979) for the completion of this report.

Study of spouses benefits. -- The Committee agreed to require the Secretary of Health, Education and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouse benefits under the social security program, and proposals to bring about equal treatment of men and women under the program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of such things as changes in the nature and extent of women's participation in the labor force, the increasing divorce rate, and the economic value of women's work in the home.

Study of consumer price index. -- The Committee also agreed to require the Secretary of Labor, in consultation with the Secretary of Health, Education and Welfare, to study the need to develop a special consumer price index for the elderly.

**SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977**

Mr. LONG. Mr. President, I ask unanimous consent that when the bill H.R. 9346, the Social Security Financing Amendments of 1977, is received from the House of Representatives, it be placed on the calendar.

The PRESIDING OFFICER. Without objection—

Mr. PACKWOOD. Mr. President, wait a minute.

Could the Senator give me that again, is this the bill just passed?

The PRESIDING OFFICER. Does the Senator from Oregon reserve the right to object?

Mr. PACKWOOD. Yes, I do.

Mr. LONG. Mr. President, let me explain what I have in mind.

We in the Finance Committee have been working in committee on our social security financing recommendations. We reached a tie vote on some of the votes in the committee. I am going to ask the committee to meet and vote again on those matters so that, hopefully, we can agree on a majority position for the Senate Finance Committee.

Undoubtedly, however, we work the matter out in committee, we will still have a traditional floor fight on the difference of opinion expressed between the majority and minority.

The House has finished work on their social security bill. I would assume the Senate would like to substitute its judgment for that of the House. In committee we have agreed to report out a less important tariff bill with the committee judgment on social security financing as an amendment, and to put the bill on the calendar.

I would think the best way to proceed would be just to report the committee's recommendation and then proceed to substitute the committee's recommendation for the House social security financing bill.

I know the Finance Committee will want to recommend its own position as a substitute for the House bill. That being the case, rather than put the House bill in the committee, it is my thought we should simply report our own bill and then, having acted on it, substitute it for the House bill which would be waiting on the calendar.

Mr. PACKWOOD. With that explanation, I have no objection.

Mr. LONG. I thank the distinguished Senator.

The PRESIDING OFFICER. Without objection, it is so ordered.

for the information of the Senate, there will be no more rollcall votes today.

**SOCIAL SECURITY FINANCING
AMENDMENTS OF 1978**

The **PRESIDING OFFICER**. Under the previous order, the Senate will now proceed to the consideration of H.R. 9346, which the clerk will state.

The assistant legislative clerk read as follows:

A bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

Mr. **ROBERT C. BYRD**. Mr. President, there will be no action on this bill today, but it is hoped that Senators will come to the floor and make their opening statements on the social security financing bill. I think that will help to expedite the final action on it at some point tomorrow.

So that the cloakrooms may ascertain whether Senators are ready to make opening statements, I suggest the absence of a quorum.

The **PRESIDING OFFICER**. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. **ROBERT C. BYRD**. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The **PRESIDING OFFICER**. Without objection, it is so ordered.

Mr. **ROBERT C. BYRD**. Mr. President,



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Senate

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SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

Mr. ALLEN. Mr. President, with the majority leader's permission, I would like to use part of my time in making inquiry about the leadership plan of pushing the social security revisions through before the recess. Is that the plan of the leadership?

Mr. ROBERT C. BYRD. That is the intention, yes.

Mr. ALLEN. I would hope that would not take place because I believe we are seeing here in Congress the largest peacetime tax increase in the history of our country from the energy taxes and the social security raises, and I do not believe the full Senate has had an opportunity to deliberate these tremendous changes inasmuch as the bill was not reported from the committee until yesterday.

Just to pass something and allow the conference to work on it without the Senate having an opportunity to put more input into it, I believe would be unwise.

We now have the opportunity of going home, visiting among our constituents, talking to them about this

tremendous change in the social security taxes, and this measure is something I do not believe is necessary this year. Sometime next year would be plenty of time. I believe this plan needs just a little bit more baking in the oven before it is thrown out here before the Senate while we have our minds on getting back home and visiting among our people.

I am hopeful that this bill will not be rushed through here. I am not saying the majority leader is trying to rush it through, I do not mean that, but requiring the Senate to consider this bill in the rush to adjourn, whether this most important bill, one that in instances increases the tax burden of wage earners by 200 percent over the next few years, whether we should rush this through prior to adjournment.

I would hope the distinguished majority leader would give serious consideration to waiting until next year on this most important bill.

Mr. ROBERT C. BYRD. Mr. President, I certainly can appreciate the reasoning behind the statement by the distinguished Senator from Alabama.

On the other hand, it is the reasoning of those of us who feel that action should be taken in this session—and this includes the President of the United States and his administration—that unless he has before him the impact of the social security financing taxes as well as the energy taxes, he will not be in a good position to formulate whatever tax reform initiatives he wishes to propose to the Congress at the beginning of the next session.

At the leadership dinner with the President last night he really reiterated his hope that Congress would act on social security financing this year.

As far as I am concerned, we do not have to do it today. I think we should certainly get started on it today, debate it today, and Senators may offer amendments, but we still have Thursday, we have Friday, and we have Saturday.

I know of no other measure that the Senate is bound to take action on before going out other than the Alcan pipeline, and that should not take very long.

But while there are measures that the leadership would hope to complete action on before the close of business Saturday, they are not of such a necessity

as is the social security financing bill. So the Senator can be assured that there will be no effort to rush the bill through, for example, today. We can spend tomorrow, we can spend Friday, and we can spend Saturday. It seems to me in that length of time the Senate would have had ample opportunity to debate the measure, the implications of it, and any amendments that Senators would wish to offer.

Mr. ALLEN. I thank the distinguished majority leader.

It is my observation that the people throughout the country are just now waking up to the tremendous burdens they are going to be asked to assume under the social security tax revisions. Whereas the social security system was once looked on as a haven of security for the people, it is beginning to be looked on as a tremendous burden for the working people of our country.

I just feel that we ought to have sort of a cooling-off period here where we can give the people an opportunity to be advised to a greater extent than they now are as to just what is involved in this bill.

Also apparently the House and Senate have two different views of the approach, one having an equal distribution of the tax and the other one having it more placed on business and on the employees.

I am certainly hopeful that the majority leader would not insist on final action on this bill prior to the recess.

Mr. ROBERT C. BYRD. Mr. President. I would hope that the Senate will be able to complete its action on this bill because I think we would be criticized severely if Congress went home without taking action on the social security financing measure and the energy tax measure. If we do not finish it this week I think we ought to consider staying until we finish because I do not want Congress to be subjected to the criticism of not having acted on a situation that cries out for action and attention, and in view of the fact that, as I say, the President has asked for it and wants action on it, and who needs to have before him the implications of the social security financing legislation as well as the tax implications of the energy package before he can be in a position to formulate his tax reform package the next year, whatever one may call it, whatever his tax initiatives may be.

I think without this bill he is not in that position, and it would delay whatever action should be taken in that regard at the beginning of the year.

So it would be my hope that, in view of the fact that we do have 4 days yet in this week in which to deliberate on this bill, and the only other measure which I see as absolutely necessary before we go out being the Alcan pipeline legislation, it seems to me that would give us ample time to deliberate; and I hope that, with that much time assured, the distinguished Senator from Alabama would feel somewhat reassured as to the deliberations that will be employed in connection with this matter.

Mr. ALLEN. I thank the distinguished majority leader, and I appreciate his as-

surances. On the other hand, we will be acting on a bill that would last on into the next century, supposedly, and the social security fund, even though it is not taking in as much as it is now paying out, is in no danger of collapse, possibly in the next decade, certainly in the next 2 or 3 years; and I would hope, again, that we might have a greater length of time to consult with our constituents as to the route that we should follow on these revisions.

I recognize the need to have a solvent fund, but I do not see the need of insisting on passage of a bill in the next 3 or 4 days.

Mr. MORGAN. Mr. President—

Mr. ALLEN. If the Senator would like me to yield to him, I have the next 15 minutes.

Mr. MORGAN. If the Senator will yield, momentarily.

Mr. ALLEN. Yes.

Mr. MORGAN. Mr. President, I want to add my voice of concern to that of the distinguished Senator from Alabama about the taking up of the social security bill at this particular time. I do not know what the bill is, or what is before me. My staff has made diligent efforts all this week to find out what be before us. There are no committee reports, as I understand it. The Democratic policy committee has not given us any information that I have been able to locate, and I know of no piece of legislation pending in this Congress that has caused me to receive more mail, unless it is the Panama Canal issue, than the social security bill.

As I read the Washington Post, and that is all I know about what the House did, that bill has imposed, over a period of time, something like \$284 billion in new taxes. I am just not in a position to vote intelligently on that measure. If the leadership thinks we ought to take it up, then I hope we will make no effort to leave here this week, that we are not going to rush into it, and will stay here 2 or 3 weeks, if we have to, because to the people of North Carolina the social security bill and the problems arising from it are paramount in their minds.

For that reason, I would ask the leadership, if they should decide to take it up, not to obtain or seek any unanimous-consent agreements, at least unless I am available on the Senate floor, and I will try to stay on the floor as much as I can; because if this should come up I frankly will have to educate myself on the floor of the Senate, and, you know, you cannot do that very well under a time limitation.

Mr. ROBERT C. BYRD. The Senator has my assurance that there will be no effort to secure any time limitation agreement in relation to that measure without his being contacted first.

Mr. ALLEN. Mr. President, I hope the majority leader will include the Senator from Alabama in that assurance.

Mr. ROBERT C. BYRD. Surely.

Mr. ALLEN. I will say to the distinguished majority leader that I have complete confidence in his assurances, because during the almost 9 years that I have had the privilege of working with the distinguished majority leader, he

has never gone back on a commitment. So I feel completely assured. As the distinguished majority leader knows, we have the Rules Committee meeting and the Judiciary Committee meeting, and it is not possible for Members to be on the floor at all times.

Mr. ROBERT C. BYRD. This Senator has not changed in that regard.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

RECESS UNTIL 10 A.M.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the Senate stand in recess until 10 a.m. today.

There being no objection, the Senate at 9:35 a.m., recessed until 10 a.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. LEAHY).

The PRESIDING OFFICER. The Chair recognizes the Senator from West Virginia.

Mr. ROBERT C. BYRD. Mr. President, the Senate is awaiting action by the Finance Committee and the Budget Committee with relation to the social security financing bill which is pending before the Senate, and inasmuch as there apparently needs to be more time, at least for the moment, given to the Finance Committee and the Budget Committee, I suggest, unless the minority leader has some business at this point or something to say, the Senate recess for another half hour.

Mr. BAKER. Mr. President, I think it is a good idea.

It is essential, of course, that we have the budget waiver if we are to proceed with the social security bill. I understand the two committees are busily engaged in trying to unravel that problem.

So we might proceed to the consideration of an item that is on the unanimous-consent calendar if the majority leader wishes, but I am told that needs a budget waiver as well, so I guess we have to await the Budget Committee on that.

Mr. ROBERT C. BYRD. All right.

RECESS UNTIL 10:32 A.M.

Mr. ROBERT C. BYRD. Mr. President, in order to give the Finance Committee and the Budget Committee some additional time, I ask unanimous consent that the Senate stand in recess for 30 minutes.

There being no objection, the Senate at 10:02 a.m., recessed until 10:32 a.m.; whereupon, the Senate reassembled when called to order by the Presiding Officer (Mr. ZORINSKY).

Mr. ROBERT C. BYRD. Mr. President, will the Chair recognize the distinguished Senator from Arizona?

Mr. GOLDWATER. Mr. President, I ask unanimous consent that I may address myself to two subjects not related to current business. I will not consume over 5 or 6 minutes.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. ROBERT C. BYRD. Will the Senator yield for a unanimous-consent request?

Mr. GOLDWATER. Yes.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The ACTING PRESIDENT pro tempore. Under the previous order, the Senate will now resume the consideration of the unfinished business, H.R. 9346, which the clerk will state.

The assistant legislative clerk read as follows:

Calendar No. 515, a bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the Social Security System, and so forth, and for other purposes.

The Senate resumed the consideration of the bill.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. MORGAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. MORGAN. Mr. President, I ask unanimous consent that Mr. Tom Polegord, of my staff, be granted the privileges of the floor during the consideration of H.R. 9346, and any votes thereon.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. MORGAN. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. BAKER. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I ask unanimous consent that Mr. Ralph Cooper, of the staff of Senator HEINZ, be granted the privileges of the floor during the consideration of the social security bill and any votes thereon.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I suggest the absence of a quorum.

The ACTING PRESIDENT pro tempore. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

Mr. LONG. Mr. President, I report an original resolution from the Committee on Finance. Under the regular procedures, it will be referred to the Budget Committee.

Mr. President, the purpose of this resolution is to authorize the consideration by the Senate of the Finance Committee's recommendations on social security financing as an amendment to H.R. 9346 in the nature of a substitute.

Mr. President, I send to the desk the committee bill as an amendment to the pending bill.

The PRESIDING OFFICER. Is the Senator offering it as an amendment?

Mr. LONG. Yes.

Mr. President, the members of the Budget Committee have already voted on the resolution I have just reported and they have approved it. They will be here shortly, I am sure, to report that they agree with the resolution. At that point, we can go ahead with the consideration of this matter.

Meanwhile, I ask unanimous consent that during the consideration of the social security financing bill, the following staff members be granted access to the floor:

From the staff of the Committee on Finance: Michael Stern, Joe Humphries, Bill Galvin, George Pritts, and David Swoap.

From the staff of the Congressional Research Service: Frank Crowley and Margaret Malone.

UP AMENDMENT 1032

(Purpose: To strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to increase the earnings limitation, and for other purposes.)

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Louisiana (Mr. LONG) proposes an unprinted amendment in the nature of a substitute numbered 1032.

The amendment is as follows:

Strike out all after the enacting clause and insert in lieu thereof the following:

SHORT TITLE; REFERENCE TO ACT

SECTION 1. (a) This Act (together with the following table of contents) may be cited as the "Social Security Amendments of 1977"

TABLE OF CONTENTS

TITLE I—PROVISIONS RELATING TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—PROVISIONS RELATING TO FINANCING

Sec. 101. Application of employer excise tax to wages in excess of contribution and benefit base.

- Sec. 102. Increase in contribution and benefit base for employees.
- Sec. 103. Employment tax increase; increase in self-employment tax; reallocation among trust funds.
- Sec. 104. Computation of primary insurance amount.
- Sec. 105. Maximum benefits.
- Sec. 106. Payments to certain public and nonprofit employers.
- Sec. 107. Conforming changes.
- Sec. 108. Effective date provisions.

PART B—GENERAL PROVISIONS

- Sec. 121. Liberalization of earnings test.
- Sec. 122. Widow's and widower's insurance benefits in cases of delayed retirement.
- Sec. 123. Reduced benefits for spouses receiving Government pensions.
- Sec. 124. Employees of members of related groups of corporations.
- Sec. 125. Limitation on retroactive benefits.
- Sec. 126. Delivery of benefit checks.
- Sec. 127. Actuarial reduction of benefit increases to be applied as of time of original entitlement.
- Sec. 128. International agreements with respect to social security benefits.
- Sec. 129. Coverage of nonprofit organizations which failed to file waiver certificates.

TITLE II—MISCELLANEOUS

- Sec. 201. Studies and reports.
- Sec. 202. Appointment of hearing examiners.
- Sec. 203. Report of Advisory Council on Social Security.

TITLE III—PROVISIONS RELATING TO CERTAIN STATE WELFARE AND SERVICE PROGRAMS RECEIVING FEDERAL FINANCIAL ASSISTANCE

- Sec. 301. Fiscal relief for States and political subdivisions thereof with respect to costs of welfare programs.
- Sec. 302. Incentive adjustments for quality control in Federal financial participation in aid to families with dependent children programs.
- Sec. 303. Access to wage information.
- Sec. 304. State demonstration projects.
- Sec. 305. Earned income disregard.

(b) Whenever in this Act an amendment is expressed in terms of an amendment to a section or other provision without specification of Act, the reference is to a certain or other provision of the Social Security Act.

TITLE I—PROVISIONS RELATING TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—PROVISIONS RELATING TO FINANCING APPLICATION OF EMPLOYER EXCISE TAX TO WAGES IN EXCESS OF CONTRIBUTION AND BENEFIT BASE

SEC. 101. (a) Section 230(c) is amended by adding at the end the following sentence: "For purposes of the employer tax liability under section 3111 of the Internal Revenue Code of 1954 and section 3221(b) of such Code in the case of railroad employment, the contribution and benefit base referred to in paragraph (1) of section 3121(a) of the Internal Revenue Code of 1954 is deemed to be \$50,000 with respect to remuneration paid during calendar years 1979 through 1984, and with respect to calendar years after 1984 \$75,000 or (if higher) the contribution and benefit base as determined under this section without regard to the provisions of this sentence."

(b) Section 230(b) is amended by striking out "shall be" in the matter preceding paragraph (1) and inserting in lieu thereof "shall (subject to subsections (c) and (d)) be".

INCREASE IN CONTRIBUTION AND BENEFIT BASE FOR EMPLOYEES

SEC. 102. Section 230 is amended by adding at the end the following new subsection:

"(d) Except as otherwise provided by the last sentence of subsection (c) and except for purposes of determining employer tax liability under section 3221(a) of the Internal Revenue Code of 1954, for calendar years 1979, 1981, 1983, and 1985 the contribution and benefit base shall be equal to the amount determined under subsection (b) but as augmented for each such year (and carried forward thereafter) by \$600; and the amount of such base for any such year as so increased shall be deemed to be the amount of such base for such year for purposes of determining any increase, under the preceding provisions of this section, in such base for any succeeding year."

EMPLOYMENT TAX INCREASE; INCREASE IN SELF-EMPLOYMENT TAX; REALLOCATION AMONG TRUST FUNDS

SEC. 103. (a) TAX ON EMPLOYEES.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Paragraphs (1) and (2) of section 3101(a) of the Internal Revenue Code of 1954 are amended to read as follows:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages received during the calendar year 1978, the rate shall be 5.05 percent;

"(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 5.085 percent;

"(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 5.35 percent;

"(5) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.65 percent;

"(6) with respect to wages received during the calendar years 1990 through 1994, the rate shall be 6.10 percent;

"(7) with respect to wages received during the calendar years 1995 through 2000, the rate shall be 6.70 percent;

"(8) with respect to wages received during the calendar years 2001 through 2010, the rate shall be 7.30 percent; and

"(9) with respect to wages received after December 31, 2010, the rate shall be 7.80 percent."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3101(b) of the Code are amended to read as follows:

"(2) with respect to wages received during the calendar year 1978, the rate shall be 1.00 percent;

"(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

"(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 1.25 percent;

"(5) with respect to wages received during the calendar year 1985, the rate shall be 1.35 percent; and

"(6) with respect to wages received after December 31, 1985, the rate shall be 1.40 percent."

(b) TAX ON EMPLOYERS.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Paragraphs (1) and (2) of section 3111(a) of the Code are amended to read as follows:

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages paid during the calendar year 1978, the rate shall be 5.05 percent;

"(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 5.085 percent;

"(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 5.35 percent;

"(5) with respect to wages paid during the calendar years 1985 through 1989, the rate shall be 5.65 percent;

"(6) with respect to wages paid during the calendar years 1990 through 1994, the rate shall be 6.10 percent;

"(7) with respect to wages paid during the calendar years 1995 through 2000, the rate shall be 6.70 percent;

"(8) with respect to wages paid during the calendar years 2001 through 2010, the rate shall be 7.30 percent; and

"(9) with respect to wages paid after December 31, 2010, the rate shall be 7.80 percent."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3111(b) of the Code are amended to read as follows:

"(2) with respect to wages paid during the calendar year 1978, the rate shall be 1.00 percent;

"(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

"(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 1.25 percent;

"(5) with respect to wages paid during the calendar year 1985, the rate shall be 1.35 percent; and

"(6) with respect to wages paid after December 31, 1985, the rate shall be 1.40 percent."

(c) TAX ON SELF-EMPLOYMENT INCOME.—(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Subsection (a) of section 1401 of the Code is amended to read as follows:

"(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1978, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1977 and before January 1, 1979, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1978 and before January 1, 1981, the tax shall be equal to 7.05 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 8.00 percent of the amount of the self-employment for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the tax shall be equal to 8.50 percent of the amount of the self-employment income for such taxable year;

"(6) in the case of any taxable year beginning after December 31, 1989, and before January 1, 1995, the tax shall be equal to 9.15 percent of the amount of the self-employment income for such taxable year;

"(7) in the case of any taxable year beginning after December 31, 1994, and before January 1, 2001, the tax shall be equal to 10.05 percent of the amount of the self-employment income for such taxable year;

"(8) in the case of any taxable year beginning after December 31, 2000, and before January 1, 2011, the tax shall be equal to 10.95 percent of the amount of the self-employment income for such taxable year; and

"(9) in the case of any taxable year beginning after December 31, 2010, the tax shall be equal to 11.70 percent of the amount of the self-employment income for such taxable year."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of subsection (b) of section 1401 of the Code are amended to read as follows:

"(2) in the case of any taxable year be-

ginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 1.00 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 1.05 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 1.25 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.40 percent of the amount of the self-employment income for such taxable year."

(d) ALLOCATION TO DISABILITY INSURANCE TRUST FUND.—

(1) ALLOCATION OF WAGES.—Section 201(b) (1) of the Social Security Act is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: "(G) 1.650 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.500 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.650 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1985, and so reported, (J) 1.900 per centum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, (K) 2.100 per centum of the wages (as so defined) paid after December 31, 1989, and before January 1, 1995, (L) 2.400 per centum of the amount of the wages (as so defined) paid after December 31, 1994, and before January 1, 2001, (M) 2.700 per centum of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2011, and (N) 3.00 per centum of the amount of the wages (as so defined) paid after December 31, 2010, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and".

(2) ALLOCATION OF SELF-EMPLOYMENT INCOME.—Section 201(b)(2) is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: "(G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.040 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1981, (I) 1.2375 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985, (J) 1.425 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.575 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1990, and before January 1, 1995, (L) 1.800 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (M) 2.035 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January

1, 2011, and (N) 2.250 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education and Welfare in accordance with such returns."

COMPUTATION OF PRIMARY INSURANCE AMOUNT

Sec. 104. (a) Section 215(a) is amended to read as follows:

"(a)(1)(A) The primary insurance amount of an individual (except as otherwise provided in this section) is equal to the sum of—

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

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

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

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

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

"(I) the average of the wages (as defined in section 230(e)) of all employees as reported to the Secretary of the Treasury for the second calendar year preceding the calendar year for which the determination is made, by

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

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

"(C)(1) No primary insurance amount computed under subparagraph (A) may be less than the greatest of—

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

"(II) the amount determined under subsection (1) (except subclause (III) of this clause) with respect to this subparagraph, or

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

"(ii) For purposes of the preceding clause, the term 'years of coverage' means the number (not exceeding 30) equal to the sum of (I) the number (not exceeding 14 and disregarding any fraction) determined by divid-

ing (a) the total of the wages credited to the individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by (b) \$900, plus (II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b)(2)(B)(ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, and compensation under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year.

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

"(2)(A) A year shall not be counted as a year of an individual's death or eligibility for purposes of this subsection or subsection (1) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit to which he was entitled in such 12-month period).

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

"(i) the primary insurance amount upon which that disability insurance benefit was based, increased in the case of the individual who so became entitled, became reentitled, or died, by each general benefit increase (as defined in subsection (1)(3)) and each increase provided under subsection (1)(2) that would have applied to that primary insurance amount had the individual remained entitled to that disability insurance benefit until the month in which he became entitled, reentitled, or died, or

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

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

"(3)(A) Except as otherwise provided by paragraph (4), paragraph (1) applies to—

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

"(I) becomes eligible for that benefit,

"(II) becomes eligible for a disability insurance benefit, or

"(III) dies, and

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

"(B) For the purposes of this title, an individual is deemed to be eligible for an old-age insurance benefit beginning in the month in which he attains age 62, or for a disability insurance benefit for months beginning in the month in which a period of disability began as described in section 216 (1)(2)(C), unless less than 12 months have elapsed since the termination of a prior period of disability in which case the month of eligibility with respect to the prior period of disability shall be considered the month of eligibility.

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

"(A) an individual who was eligible for a disability insurance benefit for a month prior to January 1979 unless, prior to the month in which there occurs the event described in clause (1)(I), (1)(II), or (1)(III) of paragraph (3)(A), there occurs a period of at least 12 consecutive months for which he was not entitled to a disability insurance benefit, or

"(B)(1) an individual who had wages or self-employment income credited for a year before 1979 and who was not eligible for an old-age or disability insurance benefit, or did not die, prior to January 1979, if in the year for which the computation or recomputation would be made the individual's primary insurance amount would be greater if computed or recomputed—

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

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

"(ii) For purposes of determining under clause (1) which amount is the greater.

"(I) the table of benefits in effect in December 1978 shall apply without regard to any increase in that table which becomes effective (in accordance with subsection (1)(4) for years after 1978 except as provided in subsection (1)(2)(A)(iii), and

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

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

(b) Section 215(b) (except the caption thereof) is amended to read as follows:

"(b)(1) The amount of an individual's average indexed monthly earnings is equal to the quotient obtained by dividing—

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

"(B) the number of months in those years.

"(2)(A) The number of an individual's benefit computation years equals the number of elapsed years, reduced by five, except that the number of an individual's benefit computation years may not be less than two.

"(B) For purposes of this subsection—

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

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

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

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

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

"(III) the term 'number of elapsed years' means, in the case of any individual, except as otherwise provided by section 104(j) of the Social Security Amendments of 1972 (Public Law 92-603), the number of calendar years after 1950 (or, if later, the year in which the individual attained age 21) and before the year in which the individual died, or, if it occurred after 1960, the year in which he attained age 62; except that such term excludes any calendar year any part of which is included in a period of disability.

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

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

"(II) the quotient obtained by dividing—

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

"(II) the average of the wages (as so defined) of all employees as reported to the Secretary of the Treasury for the computation base year for which the determination is made.

"(B) Wages paid in or self-employment income credited to an individual's computation base year—

"(I) which occurs after the second calendar year specified in subparagraph (A) (II) (I), where applicable, or

"(II) in a year which under subsection (f) (2) (C) is considered to be the last year of the period specified in subsection (b) (2) (B) (II),

are available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

"(4) In determining the average monthly wage of an individual whose primary insurance amount is computed (after 1978) under section 215(a) or 215(d) as in effect (except with respect to the table contained therein) in December 1978, by reason of subsection (a) (4) (B), this subsection as in effect in December 1978 remains in effect, except that paragraph (2) (C) (as then in effect) is

deemed to provide that 'computation base years' include only calendar years in the period after 1950 (or 1936, if applicable) and prior to the year in which occurred the first month for which the individual was eligible (as defined in subsection (a) (3) (B) of this section as in effect in January 1979) for an old-age or disability insurance benefit, or died. Any calendar year all of which is included in a period of disability shall not be included as a computation base year."

(c) Section 215(c) (except the caption thereto) is amended to read as follows:

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

(d) (1) The matter in section 215(d) which precedes subparagraph (C) of paragraph (1) is amended to read as follows:

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

"(A) The individual's average monthly wage shall be determined as provided in subsection (b) of this section, as in effect in December 1977 (but without regard to paragraph (4) thereof), except that for purposes of paragraphs (2) (C) and (3) of that subsection (as so in effect), 1936 shall be used instead of 1950.

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

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

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

(2) Section 215(d) (1) (D) is amended to read as follows:

"(D) The individual's primary insurance benefits shall be 40 per centum of the first \$50 of his average monthly wage as computed under this subsection, plus 10 per centum of his average monthly wage; increased by 1 per centum for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual's total wages prior to 1951 divided by \$1,650 (disregarding any fraction)."

(3) Section 215(d) (3) is amended (A) by striking subparagraphs (A) and (B), and (B) by striking the dash after "individual" and inserting the text of the stricken subparagraph (B).

(4) Section 215(d) is amended by adding at the end the following new paragraph:

"(4) The provisions of this subsection as in effect in December 1977 shall be applicable

to individuals who become eligible for old-age insurance or disability insurance benefits or die prior to 1978."

(e) Section 215(e) is amended—

(1) by striking out "average monthly wage" each time it appears and inserting "average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage," and

(2) by inserting immediately before "of (A)" in paragraph (1) the following: "(before the application in the case of average indexed monthly earnings, of subsection (b) (3) (A))".

(f) (1) Section 215(f) (3) is amended to read as follows:

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

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

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

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

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

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

(2) Section 215(f) (3) is repealed.

(3) Section 215(f) (4) is amended to read as follows:

"(4) A recomputation is effective under this subsection only if it results in a primary insurance amount that is at least \$1.00 higher than the previous primary insurance amount."

(4) There is added at the end of section 215(f) the following new paragraph:

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

(g) (1) Section 215(1) (2) (A) (II) is amended to read as follows:

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

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

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

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

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

(2) Section 215(1) (2) (A) is amended by adding at the end the following new clause:

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

(3) Section 215(1) (2) (D) is amended by striking out all that follows the first sentence, and by inserting instead the following: "He shall also publish in the Federal Register at that time a revision of the amount referred to in subparagraph (C) (1) (I) of subsection (a) (1) and that shall be the amount determined for purposes of such subparagraph (C) (1) (II) under this subsection."

(4) There is added at the end of section 215(1) the following new paragraph:

"(4) This subsection, as in effect in December 1978, shall continue to apply to subsections (a) and (d), as then in effect, with respect to computing the primary insurance amount of an individual to whom subsection (a), as in effect after December 1978, does not apply (including an individual to whom subsection (a) does not apply in any year by reason of paragraph (4) (B) of that subsection, but the application of this subsection in such cases shall be modified by the application of subclause (I) of clause (ii) of such paragraph (4) (B)). For purposes of

computing primary insurance amounts and maximum family benefits (other than primary insurance amounts and maximum family benefits for individuals to whom such paragraph (4) (B) applies), the Secretary shall publish in the Federal Register revisions of the table of benefits contained in subsection (a), as in effect in December 1978, as required by paragraph (2) (D) of this subsection, as then in effect."

(h) (1) Section 230 of the Social Security Act is amended by adding after subsection (d) (as added by section 102 of this Act) the following new subsection:

"(e) For purposes of subsection (b), the term 'wages' for years after 1978 shall have the meaning assigned to such term by section 3401(a) of the Internal Revenue Code of 1954 and section 3121(a) of such Code (but without regard to the operation of section 230 of the Social Security Act as specified therein) to the extent that they are excluded from such section 3401(a). For years before 1977, the term 'wages' shall be determined under regulations to be promulgated by the Secretary."

(2) The amendment made by paragraph (1) shall be applicable to determinations of the Secretary of Health, Education, and Welfare, under section 230 of the Social Security Act effective in the case of calendar years after 1978.

MAXIMUM BENEFITS

SEC. 105. (a) The matter in section 203(a) preceding paragraph (2) thereof is amended to read as follows:

"(a) (1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215(a) (1) or (4), or 215(d), as in effect after December 1978, the total monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of that insured individual shall, except as provided by paragraph (3), (but prior to any increases resulting from the application of paragraph (2) (A) (ii) (III) of section 215(1)) be reduced so as not to exceed—

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

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

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

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

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

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

"(B) For individuals who become eligible for such benefits or who dies in a calendar year after 1979 the amount established with

respect to each of those subparagraphs shall equal the product of the corresponding amount established for 1979 by subparagraph (A) of this paragraph and the quotient obtained under subparagraph (B) (ii) of section 215(a) (1). Such product shall be rounded in like manner as is prescribed by section 215(a) (1) (B) (iii).

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

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

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

"(ii) an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a) (1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base applicable to employees and the self-employed determined for that year under section 230."

(b) Paragraph (2) of section 203(a) (prior to the amendment made by subsection (a) of this section) is redesignated as subparagraph (B) (of paragraph (3)), its three lettered subparagraphs are respectively redesignated as clauses (i), (ii), and (iii), the word "paragraph" in the redesignated clause (i) is stricken and the word "subparagraph" is inserted in lieu thereof, its initial word is stricken and "When" inserted instead, and "or" as it appears at the end thereof is stricken and a period inserted instead.

(c) The matter following clause (iii) of the redesignated subparagraph (B) is amended to read as follows: "but in any such case (I) subparagraph (A) of this paragraph shall not be applied to such total of benefits after the application of clause (ii) or (iii), and (II) if section 202(k) (2) (A) was applicable in the case of any such benefit for a month, and ceases to apply for a month after such month, the provisions of clause (ii) or (iii) shall be applied, for and after the month in which section 202(k) (2) (A) ceases to apply, as though subparagraph (A) of this paragraph had not been applicable to such total of benefits for the last month for which clause (ii) or (iii) was applicable."

(d) Paragraph (3) of section 203(a) (prior to the amendments made by the preceding provisions of this section) is redesignated as subparagraph (C) (of paragraph (3)), and its initial word is stricken and "When" inserted instead.

(e) The matter in section 203(a) that follows paragraph (3) (prior to the amendments made by the preceding provisions of this section) and precedes paragraph (4) (prior to the amendments made by the preceding provisions of this section) is stricken and there is inserted instead the following:

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

(e) Paragraph (4) of section 203(a) (prior to the amendments made by the preceding provisions of this section) is redesignated as paragraph (5), its initial word is stricken and "Notwithstanding" inserted instead, and "or" at the end thereof is stricken and a period inserted instead. Subparagraph (A) of such paragraph (4) is amended by striking out "and section 202(q)" therein. The matter following subparagraph (B) of such paragraph and preceding the next numbered paragraph is a portion of the redesignated paragraph (5), and shall be indented accordingly.

(f) Paragraph (5) of section 203(a) (prior to the amendments made by the preceding provisions of this section) is repealed, except with respect to an individual who became eligible for a monthly benefit (as defined in section 215(a)(2)(A)) or died prior to 1979.

(g) Following paragraph (5) of section 203(a) (as amended by this section) there are added the following new paragraphs:

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

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

PAYMENTS TO CERTAIN PUBLIC AND NONPROFIT EMPLOYERS

SEC. 106. (a) Part A of title XI of the Social Security Act is amended by adding at the end thereof the following new section:

"PAYMENTS TO CERTAIN PUBLIC AND NONPROFIT EMPLOYERS

"SEC. 1132. (a) The Secretary shall, in the case of any State having an agreement under section 218 of the Social Security Act, or any organization described in section 501(c)(3), which is exempt from tax under section 501(a) for the taxable year, pay to each such State or organization (subject to the availability of funds appropriated under the provisions of subsection (c)) an amount determined under subsection (b). In order to receive a payment under this section, a State or organization shall file a claim with respect to the taxable year in such form, manner, and at the time prescribed by the Secretary by regulations. The Secretary shall certify to the Secretary of the Treasury the name and address of each State or organization eligible to receive such payment, the amount of such payment, and the time at which such payment should be made, and the Secretary of the Treasury, through the Fiscal Service of

the Treasury Department, shall make payments in accordance with the certification of the Secretary.

"(b)(1) The amount payable to a State under subsection (a) for the taxable year shall (subject to the provisions of subsection (c)) be equal to 50 percent of that portion of the amount paid by such State under the provisions of section 218(e)(1)(A) with respect to remuneration paid to individuals as employees of such State (or any political subdivision thereof) during the taxable year, which amount—

"(A) was paid as the amount equivalent to the taxes which would be imposed by section 3111 of the Internal Revenue Code of 1954 if the services of employees covered by such State's agreement under section 218 constituted employment as defined in section 3121 of such Code, and

"(B) was paid with respect to remuneration paid to individuals as employees of such State (or any political subdivision thereof) which remuneration was in excess (with respect to any individual during the taxable year) of the contribution and benefit base applicable with respect to such taxable year, under the provisions of section 230 as such section applies to employees.

"(2) The amount payable under subsection (a) to an organization described in section 501(c)(3) of such Code, which is exempt from tax under section 501(a) of such Code for the taxable year, shall be equal to 50 percent of that portion of the taxes paid by such organization under section 3111 of such Code, which taxes—

"(A) were paid with respect to remuneration paid to individuals as employees of such organization during the taxable year, and

"(B) were paid with respect to remuneration paid to individuals as employees of such organization which remuneration was in excess (with respect to any individual during the taxable year) of the contribution and benefit base applicable with respect to such taxable year, under the provisions of section 230 as such section applies to employees.

"(c) There are authorized to be appropriated such sums as are necessary to carry out the provisions of this section. If the sums appropriated for any fiscal year for making payments under this section are insufficient to pay in full the total amounts which States and organizations are authorized to receive under this section during such fiscal year, the maximum amounts which all such States and organizations may receive under this section during such fiscal year shall be ratably reduced. In case additional funds become available for making such payments for any fiscal year during which the preceding sentence is applicable, such reduced amounts shall be increased on the same basis as they were reduced.

"(d) Any State receiving a payment under the provisions of this section shall agree to pay (and any such payment shall be made on the condition that such State pay) to any political division thereof a percentage of such payment which percentage shall be equal to the percentage of the amount paid by such State under section 218(e)(1)(A) for which such State was reimbursed by such political subdivision."

(b) The amendments made by this section shall be effective with respect to taxable years beginning after December 31, 1978.

CONFORMING CHANGES

SEC. 107. (a) Section 202(m)(1) is amended to read as follows:

"(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215(a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month

and no other person is (without the application of subsection (j)(1)) entitled to a monthly benefit under this section for that month on the basis of those wages and self-employment income, the individual's benefit amount for that month, prior to reduction under subsection (k)(3), shall not be less than that provided by subparagraph (C) (I) or (C) (II) (whichever is greater) of section 215(a)(1). In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 as in effect (without regard to the table contained therein) prior to January 1979, that monthly benefit shall be determined under this section as in effect as prescribed by section 215(a)(5) and increased under subsection (i)(4)."

(b) Section 217(b)(1) is amended by inserting "as in effect in December 1978" after "section 215(c)" each time it appears, and after "section 215(d)".

(c) Section 224(a) is amended in the matter following paragraph (8) by inserting "(determined under section 215(b) as in effect prior to January 1979)" after "(A) the average monthly wage".

(d) Section 1839(c)(3)(B) is amended to read as follows:

"(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215(a)(1), based upon average indexed monthly earnings of \$900, that applied to individuals who became eligible for and entitled to old-age insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount is increased when, by reason of the law in effect at the time the promulgation is made, it is so computed to apply to those individuals on the following May 1."

(e) Section 202(w) of such Act is amended—

(1) by inserting after "section 215(a)(3)" in paragraph (1) (in the matter preceding subparagraph (A)) the following: "as in effect in December 1978 or section 215(a)(1)(C)(III) as in effect thereafter";

(2) by inserting "as in effect in December 1978, or section 215(a)(1)(C)(III) as in effect thereafter," after "paragraph (3) of section 215(a)" in paragraph (5); and

(3) by inserting "(whether before, in, or after, December 1978)" after "determined under section 215(a)" in paragraph (5).

(f) Section 104(j)(2) of the Social Security Amendments of 1972 is amended by striking out "215(b)(3)" and inserting in lieu thereof "215(b)(2)(B)(III)".

EFFECTIVE DATE PROVISIONS

SEC. 108. The amendments made by the preceding provisions of this Act (other than section 104(d) and 106) shall be effective with respect to monthly benefits and lump-sum death payments under title III months after December 1978. The amendments made by section 104(d) shall be effective with respect to monthly insurance benefits of an individual who becomes eligible for an old-age or disability insurance benefit or who dies after December 31, 1977.

PART B—GENERAL PROVISIONS

LIBERALIZATION OF EARNINGS TEST

SEC. 121. (a) Section 203(f)(8)(B) of the Social Security Act is amended by striking out "The exempt amount" in the matter preceding clause (i) and inserting in lieu thereof "Except as provided in subparagraph (D), the exempt amount".

(b) Section 203(f)(8) of such Act is further amended by adding at the end thereof the following new subparagraph:

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

"(i) shall be \$375 for each month of any taxable year ending after 1977 and before 1979, and

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

(c) No determination or publication of a new exempt amount shall be required to be made under section 203(f)(8)(A) of the Social Security Act, and no notification with respect to an increased exempt amount shall be required to be given under the last sentence of section 203(f)(8)(B) of such Act, in the calendar year 1978 but such a determination, publication, and notification shall be required in calendar years after 1978 and shall be made or given as though the dollar amounts specified in clauses (i) and (ii) of section 203(f)(8)(D) of such Act (as added by subsection (b) of this section) had been determined (for the taxable years involved) under such section 203(f)(8)(B).

(d) Subsections (f)(1), (f)(3), (f)(4)(B), and (h)(1)(A) of section 203 of such Act are amended by striking out "\$200 or".

(e)(1) The amendments made by this section shall be effective (subject to the provisions of paragraph (2)) with respect to taxable years ending after December 31, 1977.

(2) Prior to October 1, 1978, title II of the Social Security Act shall be administered as if the amendments made by this section had not been enacted.

WIDOW'S AND WIDOWER'S INSURANCE BENEFITS IN CASES OF DELAYED RETIREMENT

SEC. 122. (a) Section 202(e)(2)(A) of the Social Security Act is amended (1) by inserting "(as determined after application of the following sentence)" after "primary insurance amount", and (2) by adding at the end thereof the following new sentence: "If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual's primary insurance amount shall be deemed to be equal to the old-age insurance benefit (increased, where applicable, under section 215(f)(5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which he was receiving (or would upon application have received) for the month prior to the month in which he died, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which he died, prior to the month in which he died, which satisfy the conditions in paragraph (2) of such subsection (w)."

(b) Section 202(e)(2)(B)(i) of such Act is amended by inserting "and section 215(f)(6) were applied, where applicable," immediately after "living".

(c) Section 202(f)(3)(A) of such Act is amended (1) by inserting "(as determined after application of the following sentence)" after "primary insurance amount", and (2) by adding at the end thereof the following new sentence: "If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual's primary insurance amount shall be deemed to be equal to the old-age insurance benefit (increased, where applicable, under section 215(f)(5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which she was receiving (or would upon application have received) for the month prior to the month in which she died, and (not-

withstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which she died, prior to the month in which she died, which satisfy the conditions in paragraph (2) of such subsection (w)."

(d) Section 202(f)(3)(B)(i) of such Act is amended by inserting "and section 215(f)(6) were applied, where appropriate," after "living".

(e) Section 203(a) (as amended by section 105(g)) is further amended by adding at the end thereof the following new paragraph:

"(8) when—

"(A) one or more persons were entitled (without the application of section 202(j)(1) and section 223(b)) to monthly benefits under section 202 or 223 for December 1977 on the basis of the wages and self-employment income of an individual;

"(B) the benefit of at least one such person for January 1978 is increased by reason of the amendments made by section 109 of the Social Security Amendments of 1977; and

"(C) the total amount of benefits to which all such persons are entitled under such section 202 are reduced under the provisions of this subsection (or would be so reduced except for the first sentence of section 203(a)(4)).

then the amount of the benefit to which each such person is entitled for months after December 1977 shall be increased (after such reductions are made under this subsection) to the amount such benefit would have been if the benefit of the person or persons referred to in subparagraph (B) had not been so increased."

(f) The amendments made by this section shall be effective with respect to monthly insurance benefits under title II of the Social Security Act for months after December 1977.

REDUCED BENEFITS FOR SPOUSES RECEIVING GOVERNMENT PENSIONS

SEC. 123. (a)(1) Section 202(b)(2) of the Social Security Act is amended by inserting after "subsection (q)" the following: "and paragraph (4) of this subsection".

(2) Section 202(b) of such Act is amended by adding at the end thereof the following new paragraph:

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

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

(b)(1) Section 202(c)(1) is amended—

(A) by striking out subparagraph (C);

(B) by inserting "and" at the end of subparagraph (B); and

(C) by redesignating subparagraph (D) as subparagraph (C).

(2) Section 202(c)(2) is amended to read as follows:

"(2)(A) The amount of a husband's insurance benefit for each month as determined

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

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

(3) Section 202(c)(3) is amended by inserting after "subsection (q)" the following: "and paragraph (2) of this subsection".

(c)(1) Section 202(e)(2)(A) of such Act is amended by striking out "paragraph (4)" and inserting in lieu thereof "paragraphs (4) and (8)".

(2) Section 202(e) of such Act is amended by adding at the end thereof the following new paragraph:

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

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

(d)(1) Section 202(f)(1) is amended—

(A) by striking out subparagraph (D); and

(B) by redesignating subparagraphs (E), (F), and (G) as subparagraphs (D), (E), and (F), respectively.

(2) Section 202(f)(2) is amended to read as follows:

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

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but

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

(3) Section 202(f)(3)(A) is amended by striking out "paragraph (5)" and inserting in lieu thereof "paragraphs (2) and (5)".

(4)(A) Section 202(f)(7) is amended by striking out "paragraph (1)(G)" and inserting in lieu thereof "paragraph (1)(F)".

(B) Section 226(h)(1)(B) is amended by striking out "subparagraph (G) of section 202(f)(1)" and inserting in lieu thereof "subparagraph (F) of section 202(f)(1)".

(5) Section 202(p)(1) is amended by striking out "subparagraph (C) of subsection (c)(1), clause (i) or (ii) of subparagraph (D) of subsection (f)(1), or".

(e)(1) Section 202(g)(2) of such Act is amended by striking out "Such" and inserting in lieu thereof "Except as provided in paragraph (4) of this subsection, such".

(2) Section 202(g) of such Act is amended by adding at the end thereof the following new paragraph:

"(4)(A) The amount of a mother's insurance benefit for each month to which any individual is entitled under this subsection shall be reduced (but not below zero) by an amount equal to the amount of any monthly benefit payable to such individual for such month which is based upon such individual's earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218 (b)(2)) if, on the last day such individual was employed by such entity, such service did not constitute 'employment' as defined in section 210.

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

(f) The amendments made by this section shall apply with respect to monthly insurance benefits payable under title II of the Social Security Act for months beginning with the month in which this Act is enacted, on the basis of applications filed in or after the month in which this Act is enacted.

EMPLOYEES OF MEMBERS OF RELATED GROUPS OF CORPORATIONS

Employer Social Security Tax Liability

SEC. 124.(a) Section 3121 of the Internal Revenue code of 1954 (relating to definitions for purposes of the Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsection:

"(s) CONCURRENT EMPLOYMENT BY TWO OR MORE EMPLOYERS.—For purposes of sections 3102, 3111, and 3121(a)(1), if two or more corporations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations."

(b) Section 3306 of the Internal Revenue Code of 1954 (relating to definitions in respect of unemployment tax) is amended by

adding at the end thereof the following subsection:

"(p) CONCURRENT EMPLOYMENT BY TWO OR MORE EMPLOYERS.—For the purposes of sections 3102, 3111, and 3306(b)(1), if two or more corporations concurrently employ the same individual and compensate such individual through a common paymaster, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations."

Effective Date

(c) The amendments made by this section shall apply with respect to wages paid after December 31, 1978.

LIMITATION ON RETROACTIVE BENEFITS

SEC. 125. (a)(1) The first sentence of section 202(j)(1) of the Social Security Act is amended by striking out "An individual" and inserting "Subject to the limitations contained in paragraph (4), an individual" in lieu thereof.

(2) Section 202(j) of such Act is further amended by inserting at the end thereof the following new paragraph:

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

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

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

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

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

(3) Section 226(h) of such Act is amended by adding at the end thereof the following new paragraph:

"(4) For the purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsec-

tion (b)(2)(A), the entitlement of such individual to widow's or widower's insurance benefits under section 202(e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202(j)(4)."

(b) The amendments made by subsection (a) shall be effective only with respect to monthly insurance benefits under title II of the Social Security Act to which an individual becomes entitled on the basis of an application filed after the date of enactment of this Act.

DELIVERY OF BENEFIT CHECKS

SEC. 126. (a) Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"DELIVERY OF BENEFIT CHECKS"

"SEC. 708. Notwithstanding any other provision of this Act, when the normal day for delivery of benefit checks under title II or XVI of this Act would, but for the provisions of this section, fall on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code), benefit checks for such month shall be mailed for delivery on the first day preceding such normal delivery day which is not a Saturday, Sunday, or legal public holiday, without regard to whether the delivery of such checks is made in the same calendar month in which such normal day for delivery would occur."

(b) The amendment made by subsection (a) of this section shall be effective on the date of enactment of this Act.

ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT

SEC. 127. (a) Section 202(q)(4) of the Social Security Act is amended by striking out all that follows subparagraph (B) and inserting in lieu thereof the following: "then the amount of the reduction of such benefit (after the application of any adjustment under paragraph (7)) for each month beginning with the month of such increase in the primary insurance amount, shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and from the month for which the individual first became entitled to such monthly benefit reduced under such paragraph (1) or (3)."

(b) Section 202(q) of such Act is amended by adding at the end thereof the following new paragraphs:

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

"(A) in the case of old-age, wife's and husband's insurance benefits, by multiplying such amount by the ratio of (1) the num-

ber of months in the adjusted reduction period to (ii) the number of months in the reduction period.

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

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

"(11) When an individual is entitled to more than one monthly benefit under this title and one or more of such benefits are reduced under this subsection, the preceding paragraph of this subsection shall apply separately to each such benefit reduced under this subsection before the application of subsection (k) (pertaining to the method by which monthly benefits are offset when an individual is entitled to more than one kind of benefit) and the application of this paragraph shall operate in conjunction with paragraph (3)."

(c) (1) Section 202(q) (7) (C) of the Social Security Act is amended by striking out "because" and all that follows and inserting in lieu thereof "because of the occurrence of an event that terminated her or his entitlement to such benefits."

(2) Section 202(q) (3) (H) of such Act is amended by inserting "for that month or" after "first entitled".

(d) The amendments made by this section shall be effective with respect to monthly benefits payable for months after December 1977.

INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL SECURITY BENEFITS

SEC. 128. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"INTERNATIONAL AGREEMENTS

"Purpose of Agreement

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

"DEFINITIONS

"(b) For the purposes of this section—
"(1) the term 'social security system' means, with respect to a foreign country, a

social insurance or pension system which is of general application in the country and under which periodic benefits, or the actuarial equivalent thereof, are paid on account of old age, death, or disability; and

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

"Crediting Periods of Coverage; Conditions of Payment of Benefits

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

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

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

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

"(2) Any such agreement may provide that—

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

"(B) the benefit paid by the United States to an individual who legally resides in the United States shall be increased to an amount which, when added to the benefit paid by such foreign country, will be equal to the benefit amount which would be payable to an entitled individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a) (1) (C) (i) (I) or (II) in the case of an individual becoming eligible for such benefit on or after that date.

"(3) Section 226 shall not apply in the case of any individual to whom it would not be applicable but for this section or any agreement or regulation under this section.

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

"Regulations

"(d) The Secretary of Health, Education, and Welfare shall make rules and regulations and establish procedures which are

reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

"Reports to Congress; Effective Date of Agreements

"(e) (1) Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress together with a report on the estimated number of individuals who will be affected by the agreement and the effect of the agreement on the estimated income and expenditures of the programs established by this Act.

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

(b) (1) Section 1401 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, the self-employment income of an individual shall be exempt from the taxes imposed by this section to the extent that such self-employment income is subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country."

(2) Sections 3101 and 3111 of such Code are each amended by adding at the end thereof the following new subsection:

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the extent that such wages are subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country."

(3) Section 6051(a) of such Code is amended by adding at the end thereof the following new sentence: "The amounts required to be shown by paragraph (5) shall not include wages which are exempted pursuant to sections 3101(c) and 3111(c) from the taxes imposed by sections 3101 and 3111."

(4) Notwithstanding any other provision of law, taxes paid by any individual to any foreign country with respect to any period of employment or self-employment which is covered under the social security system of such foreign country in accordance with the terms of an agreement entered into pursuant to section 233 of the Social Security Act shall not, under the income tax laws of the United States, be deductible by, or creditable against the income tax of, any such individual.

COVERAGE OF NONPROFIT ORGANIZATIONS WHICH FAILED TO FILE WAIVER CERTIFICATES

SEC. 129. (a) (1) Section 3121(k) (5) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where refund or credit has been made and new certificate is not filed) is amended—

(A) by striking out "prior to the expiration of 180 days after the date of the enactment of this paragraph," in subparagraph B and inserting in lieu thereof "prior to January 1, 1978,"; and

(B) by striking out "the 181st day after

the date of the enactment of this paragraph," and "such 181st day" in the matter following subparagraph (B) and inserting in lieu thereof in each instance "January 1, 1978,".

(2) Section 3121(k)(7) of such Code (relating to payment of both employee and employer taxes for retroactive period by organization in cases of constructive filing) is amended—

(A) by striking out "prior to the expiration of 180 days after the date of the enactment of this paragraph" and inserting in lieu thereof "prior to January 1, 1978,";

(B) by striking out "the 181st day after such date," and inserting in lieu thereof "January 1, 1978,"; and

(C) by striking out "prior to the first day of the calendar quarter in which such 181st day occurs" and inserting in lieu thereof "prior to that date".

(3) Section 3121(k)(8) of such Code (relating to extended period for payment of taxes for retroactive coverage) is amended—

(A) by striking out "by the end of the 180-day period following the date of the enactment of this paragraph" and inserting in lieu thereof "prior to January 1, 1978,";

(B) by striking out "within that period" and inserting in lieu thereof "prior to January 1, 1978,"; and

(C) by striking out "on the 181st day following that date" and inserting in lieu thereof "on that date".

(b)(1) Section 3121(k)(4) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by adding at the end thereof the following new subparagraph:

"(C) In the case of any organization which is deemed under this paragraph to have filed a valid waiver certificate under paragraph (1), if—

"(i) the period with respect to which the taxes imposed by sections 3101 and 3111 were paid by such organization (as described in subparagraph (A)(ii)) terminated prior to October 1, 1976, or

"(ii) the taxes imposed by sections 3101 and 3111 were not paid during the period referred to in clause (i) (whether such period has terminated or not) with respect to remuneration paid by such organization to individuals who became its employees after the close of the calendar quarter in which such period began, taxes under sections 3101 and 3111—

"(iii) in the case of an organization which meets the requirements of this subparagraph by reason of clause (i), with respect to remuneration paid by such organization after the termination of the period referred to in clause (i) and prior to July 1, 1977; or

"(iv) in the case of an organization which meets the requirements of this subparagraph by reason of clause (ii), with respect to remuneration paid prior to July 1, 1977, to individuals who became its employees after the close of the calendar quarter in which the period referred to in clause (i) began,

which remain unpaid on the date of the enactment of this subparagraph, or which were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph, shall not be due or payable (or, if paid, shall be refunded); and the certificate which such organization is deemed under this paragraph to have filed shall not apply to any service with respect to the remuneration for which the taxes imposed by sections 3101 and 3111 (which remain unpaid on the date of the enactment of this subparagraph, or were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph) are not due and payable (or are refunded) by reason of the preceding provisions of this subparagraph. In applying this subparagraph for purposes of title II of the Social Security Act, the period during which reports of wages

subject to the taxes imposed by section 3101 and 3111 were made by any organization may be conclusively treated as the period (described in subparagraph (a)(ii)) during which the taxes imposed by such sections were paid by such organization."

(2) Section 3121(k)(4)(A) of such Code is amended by inserting "(subject to subparagraph (C))" after "effective" in the matter following clause (ii).

(3) Section 3121(k)(6) of such Code (relating to application of certain provisions to cases of constructive filing) is amended by inserting "(except as provided in paragraph (4)(C))" after "services involved" in the matter preceding subparagraph (A).

(c) In any case where—

(1) an individual performed service, as an employee of an organization which is deemed under section 3121(k)(4) of the Internal Revenue Code of 1954 to have filed a waiver certificate under section 3121(k)(1) of such Code, on or after the first day of the applicable period described in subparagraph (A)(ii) of such section 3121(k)(4) and before July 1, 1977; and

(2) the service so performed does not constitute employment (as defined in section 210(a) of the Social Security Act and section 3121(b) of such Code) because the waiver certificate which the organization is deemed to have filed is made inapplicable to such service by section 3121(k)(4)(C) of such Code, but would constitute employment (as so defined) in the absence of such section 3121(k)(4)(C),

the remuneration paid for such service shall, upon the request of such individual (filed on or before April 15, 1980, in such manner and form, and with such official, as may be prescribed by regulations made under title II of the Social Security Act) accompanied by full payment of all of the taxes which would have been paid under section 3101 of such Code with respect to such remuneration but for such section 3121(k)(4)(C) (or by satisfactory evidence that appropriate arrangements have been made for the payment of such taxes in installments as provided in section 3121(k)(8) of such Code), be deemed to constitute remuneration for employment as so defined. In any case where remuneration paid by an organization to an individual is deemed under the preceding sentence to constitute remuneration for employment, such organization shall be liable (notwithstanding any other provision of such Code) for payment of the taxes which it would have been required to pay under section 3111 of such Code with respect to such remuneration in the absence of such section 3121(k)(4)(C).

(d) Section 3121(k)(8) of the Internal Revenue Code of 1954 (relating to extended period for payment of taxes for retroactive coverage), as amended by subsection (a)(3) of this Act, is amended to read as follows:

"(8) EXTENDED PERIOD FOR PAYMENT OF TAXES FOR RETROACTIVE COVERAGE.—Notwithstanding any other provision of this title, in any case where—

"(A) an organization is deemed under paragraph (4) to have filed a valid waiver certificate under paragraph (1), but the applicable period described in paragraph (4)(A)(ii) has terminated and part or all of the taxes imposed by sections 3101 and 3111 with respect to remuneration paid by such organization to its employees after the close of such period remains payable notwithstanding paragraph (4)(C), or

"(B) an organization described in paragraph (5)(A) files a valid waiver certificate under paragraph (1) by December 31, 1977, as described in paragraph (5)(B), or (not having filed such a certificate by that date) is deemed under paragraph (5) to have filed such a certificate on January 1, 1978, or

"(C) an individual files a request under

section 3 of Public Law 94-563, or under section 3 of the Act which added paragraph (4)(C) of this subsection, to have service treated as constituting remuneration for employment (as defined in section 3121(b) and in section 210(a) of the Social Security Act), the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs, or with respect to service constituting employment by reason of such request, may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary, rather than in a lump sum."

(e) The first sentence of section 3 of Public Law 94-563 (in the matter following paragraph (3)) is amended—

(1) by inserting "on or before April 15, 1980," after "filed"; and

(2) by inserting "or by satisfactory evidence that appropriate arrangements have been made for the repayment of such taxes in installments as provided in section 3121(k)(8) of such Code" after "so refunded or credited".

(f) Section 3121(k)(4)(A)(i) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by striking out "or any subsequent date" and inserting in lieu thereof "(or, if later, as of the earliest date on which it satisfies clause (ii) of this subparagraph)".

(g) The amendments made by subsections (a), (b), (d), (e), and (f) shall be effective as though they had been included as a part of the amendments made to section 3121(k) of the Internal Revenue Code of 1954 by the first section of Public Law 94-563 (or in the case of the amendments made by subsection (e), as a part of section 3 of such Public Law).

TITLE II—MISCELLANEOUS

STUDIES AND REPORTS

Sec. 201. (a) The Secretary of Labor, in consultation with the Secretary of Health, Education, and Welfare, shall immediately study the need to develop a special Consumer Price Index for the elderly. Not later than 6 months after the date of enactment of this Act, the Secretary of Labor and the Secretary of Health, Education, and Welfare shall each submit to the Congress a report of his findings and recommendations with respect to the need for such an index, together with an estimate of the financial impact that such an index would have on the costs of the programs established under the Social Security Act.

(b)(1) The Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, shall make a detailed study, within the Department of Health, Education, and Welfare and the Social Security Administration, of proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the program established under title II of the Social Security Act, and of proposals to bring about equal treatment for men and women in any and all respects under such program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of factors such as—

(A) changes in the nature and extent of women's participation in the labor force,

(B) the increasing divorce rate, and

(C) the economic value of women's work in the home.

The study shall include appropriate cost analyses.

(2) The Secretary shall submit to the Congress within six months after the date of enactment of this Act, a full report on the study carried out under paragraph (1).

APPOINTMENT OF HEARING EXAMINERS

Sec. 202. The persons who were appointed to serve as hearing examiners under section 1631(d)(2) of the Social Security Act (as in effect prior to January 2, 1976), and who by section 3 of Public Law 94-202 were deemed to be appointed under section 3105 of title 5, United States Code (with such appointments terminating no later than at the close of the period ending December 31, 1978), shall be deemed appointed to career-absolute positions as hearing examiners under and in accordance with section 3105 of title 5, United States Code, with the same authority and tenure (without regard to the expiration of such period) as hearing examiners appointed directly under such section 3105, and shall receive compensation at the same rate as hearing examiners appointed by the Secretary of Health, Education, and Welfare directly under such section 3105. All of the provisions of title 5, United States Code, and the regulations promulgated pursuant thereto, which are applicable to hearing examiners appointed under such section 3105, shall apply to the persons described in the preceding sentence.

REPORT OF ADVISORY COUNCIL ON SOCIAL SECURITY

Sec. 203. Notwithstanding the provisions of section 706(d) of the Social Security Act, the report of the Advisory Council on Social Security which is due not later than January 1, 1979, may be filed at any date prior to October 1, 1979.

TITLE III—PROVISIONS RELATING TO CERTAIN STATE WELFARE AND SERVICE PROGRAMS RECEIVING FEDERAL FINANCIAL ASSISTANCE

FISCAL RELIEF FOR STATES AND POLITICAL SUBDIVISIONS THEREOF WITH RESPECT TO COSTS OF WELFARE PROGRAMS

Sec. 301. Section 403 of the Social Security Act is amended—

(1) in subsection (a), by adding at the end thereof the following new paragraph:

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

(2) by adding at the end thereof, the following new subsection:

"(1) (1) In the case of any calendar quarter which begins after September 30, 1977, and prior to April 1, 1978, the amount payable (as determined under subsection (a) or section 1118, as the case may be) to each State, which has a State plan approved under this part, shall (subject to the succeeding paragraphs of this subsection) be increased by an amount equal to the sum of the following:

"(A) an amount which bears the same ratio to \$93,500,000 as the amount expended as aid to families with dependent children under the State plan of such State during the month of December 1976 bears to the amount expended as aid to families with dependent children under the State plans of all States during such month, and

"(B) (1) in the case of Puerto Rico, Guam, and the Virgin Islands, an amount equal to the amount determined under subparagraph (A) with respect to such State, or

"(1) in the case of any other State, an amount which bears the same ratio to \$93,500,000, minus the amounts determined under clause (1) of this subparagraph, as the amount allocated to such State, under section 106 of the State and Local Fiscal Assistance Act of 1972 for the most recent entitlement period for which allocations have been made under such section prior

to the date of enactment of this subsection, bears to the total of the amounts allocated to all States under such section 106 for such period.

"(2) As a condition of any State receiving an increase, by reason of the application of the foregoing provisions of this subsection, in the amount determined for such State pursuant to subsection (a) or under section 1118 (as the case may be), such State must agree to pay to any political subdivision thereof which participates in the cost of the State's plan, approved under this part, during any calendar quarter with respect to which such increase applies, so much of such increase as does not exceed 90 per centum of such political subdivision's financial contribution to the State's plan for such quarter.

"(3) Notwithstanding any other provision of this part, the amount payable to any State by reason of the preceding provisions of this subsection for calendar quarters prior to April 1, 1978, shall be made in a single installment, which shall be payable as shortly after October 1, 1977, as is administratively feasible."

INCENTIVE ADJUSTMENTS FOR QUALITY CONTROL IN FEDERAL FINANCIAL PARTICIPATION IN AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAMS

Sec. 302. (a) Section 403 of the Social Security Act is amended by adding after subsection (1) (as added by section 301 of this Act) the following new subsection:

"Incentive Adjustments in Federal Financial Participation

"(1) If the dollar error rate of excess payments of aid furnished by a State under its State plan, approved under this part, with respect to any six-month period, as based on samples and evaluations thereof, is—

"(1) at least 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined without regard to the provisions of this subsection; or

"(2) less than 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be the amount determined without regard to this subsection, plus, of the amount by which such expenditures are less than they would have been if the erroneous excess payments of aid had been at a rate of 4 per centum—

"(A) 10 per centum of the Federal share of such amount, in case such rate is not less than 3.5 per centum,

"(B) 20 per centum of the Federal share of such amount, in case such rate is at least 3.0 per centum but less than 3.5 per centum,

"(C) 30 per centum of the Federal share of such amount, in case such rate is at least 2.5 per centum but less than 3.0 per centum,

"(D) 40 per centum of the Federal share of such amount, in case such rate is at least 2.0 per centum but less than 2.5 per centum,

"(E) 50 per centum of the Federal share of such amount, in case such rate is less than 2.0 per centum."

(b) Payments may be made under the amendments made by subsection (a) only in the case of periods commencing on or after January 1, 1978.

ACCESS TO WAGE INFORMATION

Sec. 303. (a) Part A of title IV of the Social Security Act is amended by inserting after section 410 the following new section:

"ACCESS TO WAGE INFORMATION

"Sec. 411. (a) Notwithstanding any other provision of law, the Secretary shall make available to States and political subdivisions thereof wage information contained in the records of the Social Security Administration which is necessary (as determined by the Secretary in regulations) for purposes of

determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children, approved under this part, and which is specifically requested by such State or political subdivision for such purposes.

"(b) The Secretary shall establish such safeguards as are necessary (as determined by the Secretary under regulations) to insure that information made available under the provisions of this section is used only for the purposes authorized by this section."

(b) Section 3304(a) of the Federal Unemployment Tax Act is amended by redesignating paragraph (16) as paragraph (17) and by inserting after paragraph (15) the following new paragraph:

"(16) (A) wage information contained in the records of the agency administering the State law which is necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under part A of title IV of the Social Security Act, shall be made available to a State or political subdivision thereof, when such information is specifically requested by such State or political subdivision for such purpose, and

"(B) such safeguards are established as are necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) to insure that such information is used only for the purposes authorized under subparagraph (A);"

(c) Section 402(a) of the Social Security Act is amended—

(1) by striking out the word "and" at the end of paragraph (27);

(2) by striking out the period at the end of paragraph (28) and inserting in lieu thereof a semicolon and the word "and"; and

(3) by adding at the end thereof the following new paragraph:

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

(d) The amendments made by this section shall be effective on the date of the enactment of this Act.

STATE DEMONSTRATION PROJECTS

Sec. 304. Section 1115 of the Social Security Act is amended—

(1) by inserting "(a)" after "Sec. 1115.";

(2) by redesignating subsections (a) and (b) as paragraphs (1) and (2) respectively; and

(3) by adding at the end thereof the following new subsection:

"(b) (1) In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

"(A) provide that not more than one such project be conducted on a statewide basis;

"(B) provide that in making arrangements for public service employment—

"(i) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

"(ii) such project will not result in the displacement of employed workers,

"(iii) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and

"(iv) appropriate workmen's compensation protection is provided to all participants;

"(C) provide that participation in any such project by any individual receiving aid to families with dependent children be voluntary.

"(2) Any State which establishes and conducts demonstration projects under this subsection, may, subject to paragraph (3), with respect to any such project—

"(A) waive, subject to paragraph (3), any or all of the requirements of sections 402(a) (1) (relating to statewide operation), 402(a) (3) (relating to administration by a single State agency), 402(a) (8) (relating to disregard of earned income), except that no such waiver of 402(a) (8) shall operate to waive any amount in excess of one-half of the earned income of any individual, and 402(a) (19) (relating to the work incentive program);

"(B) subject to paragraph (4) use to cover the costs of such projects such funds as are appropriated for payment to any such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under part A of title IV for any fiscal year in which such demonstration projects are conducted; and

"(C) use such funds as are appropriated for payments to States under the State and Local Fiscal Assistance Act of 1972 for any fiscal year in which such demonstration projects are conducted to cover so much of the costs of salaries for individuals participating in public service employment as is not covered through the use of funds made available under subparagraph (B).

"(3) (A) Any State which wishes to establish and conduct demonstration projects under the provisions of this subsection shall submit an application to the Secretary in such information as the Secretary may require. Such State shall be authorized to proceed with such project (i) when such application has been approved by the Secretary, or (ii) forty-five days after the date on which such application is submitted unless the Secretary, during such forty-five-day period, disapproves such application.

"(B) Notwithstanding the provisions of paragraph (2) (A), the Secretary may review any waiver made by a State under such paragraph. Upon a finding that any such waiver is inconsistent with the purposes of this subsection and the purposes of part A of title IV, the Secretary may disapprove such waiver. The demonstration project under which any such disapproved waiver was made by such State shall be terminated not later than the last day of the month following the month in which such waiver was disapproved.

"(4) Any amount payable to a State under section 403(a) on behalf of an individual participating in a project under this section shall not be increased by reason of the participation of such individual in any demonstration project conducted under this subsection over the amount which would be payable if such individual were receiving aid to families with dependent children and not participating in such project.

"(5) Participation in a project established under this section shall not be considered to

constitute employment for purposes of any finding with respect to 'unemployment' as that term is used in section 407.

"(6) Any demonstration project established and conducted pursuant to the provisions of this subsection shall be conducted for not longer than two years. All demonstration projects established and conducted pursuant to the provisions of this subsection shall be terminated not later than September 30, 1980."

EARNED INCOME DISREGARD

SEC. 305. (a) Section 402(a) (7) of the Social Security Act is amended by striking out "any expenses" and inserting in lieu thereof "any child care expenses".

(b) Section 402(a) (8) (A) (ii) of the Social Security Act is amended to read as follows:

"(ii) in the case of earned income of a dependent child not included under clause (i), a relative receiving such aid, and any other individual (living in the same home as such relative and child) whose needs are taken into account in making such determination, (I) the first \$60 of earned income for individuals who are employed at least forty hours per week, or at least thirty-five hours per week and are earning at least \$92 per week, and (II) the first \$30 of earned income for individuals not meeting the criteria of subclause (I), plus (III) in each case, one-third of up to \$300 of additional earnings, and one-fifth of such additional earnings in excess of \$300, except that in each case an amount equal to the reasonable child care expenses incurred (subject to such limitations as the Secretary may prescribe in regulations) shall first be deducted before computing such individual's earned income (except that the provisions of this clause (ii) shall not apply to earned income derived from participation on a project maintained under the programs established by section 432(b) (2) and (3)); and".

(c) (1) The amendments made by this section shall become effective on January 1, 1978.

(2) A State plan for aid and services to needy families with children shall not be regarded as failing to comply with the requirements imposed with respect to approved State plans under part A of title IV of the Social Security Act, and the amounts payable to any State under such part shall not be decreased, solely because such State plan fails to comply with the requirements of paragraph (7) or (8), of section 402(a) of the Social Security Act as in effect after the date of enactment of this Act and prior to January 1, 1978, if such State plan complies with the requirement of such paragraphs or amended by this section.

Mr. STEVENS. Mr. President, is it the Senator's intention to adopt that as original text for the purposes of further amendment?

Mr. LONG. That is my intent. I am not aware of any objection to it. But I think I shall wait until more Senators are here. In due course, I shall make that motion.

Mr. STEVENS. That is the Senator's intention?

Mr. LONG. Yes, sir; in due course, I think I shall ask for it.

Mr. President, the Committee on Finance has reported to the Senate a bill which will restore the financial soundness of the social security system and make certain other significant improvements in that program.

For the past few years concern has been expressed over the financial situation of the social security program. When reports of difficulties in the program were

first announced, the Committee on Finance undertook a thorough examination of the problem. We appointed panels of actuaries and economists to give us independent evaluations of the seriousness of the problem. We conducted hearings on what needed to be done and we carefully reviewed proposals put forth by the administration and by others to meet the problems that had been identified.

The bill the committee has developed represents a responsible and complete answer to the financing crisis. It does not solve all the problems of the social security program. There are major issues in the disability insurance area and in other aspects of social security which Congress will have to deal with in future years. But this bill does restore the program to a completely sound financial status in both the short-run and over the traditional 75-year financial period. If we enact this legislation, we will have returned to the traditional and desirable situation in which we can assure those who are covered by the program that it will be able to deliver the benefits it promises even if no further changes are ever made in it.

The committee considered and rejected proposals to take the easy way out by letting the social security program become dependent in part on treasury borrowing. The committee rejected this approach because it is an unsound approach. It would erode the confidence that people have in the permanence of social security, since it could no longer be demonstrated that the social security system would generate the revenues to meet benefit obligations. And it would end the discipline under which the Congress has always raised the specific taxes needed to pay for the benefits we have provided.

The social security program has enjoyed great acceptance by those who pay the taxes to support it precisely because Congress has always treated it with great care and responsibility. We have always provided sufficient funding to meet the obligations of the system on the basis of the best estimates the actuaries can give us. Unfortunately, changes in population growth rates and changes in economic conditions have caused the actuaries to modify their predictions in a way which has adversely affected the financing of the program. In large part, the current financial difficulties arise from these changed estimates and from the fact that the automatic benefit increase mechanism enacted in 1972 is unduly sensitive to changes in economic estimates.

The committee is now proposing a new schedule of taxes which reflects the more realistic estimates currently made by the actuaries. We are also proposing a new benefit adjustment mechanism which should be less sensitive to any future changes in economic estimates. The Finance Committee bill, in addition to modifying the benefit formula and the tax schedules, also contains a number of other changes in the social security program, including a substantial increase in the amount of earnings that retired persons can have without losing any of their social security benefits.

The committee bill also makes several important changes affecting public assistance. These provisions are supported by the administration, for one which relates to the amount that people can earn and still retain their eligibility for welfare payments. But otherwise, the administration supports what we have done here. The committee amendment would provide fiscal relief for State and local welfare costs and incentives for States to reduce their error rates, allow States to run demonstration projects on making employment more attractive for welfare recipients, and give States access to wage information for purposes of determining eligibility for welfare benefits.

In addition, the committee bill includes the provision relating to the earned income disregard for welfare recipients I mentioned, which differs from a provision with similar intent proposed by the administration.

I ask unanimous consent that there be printed in the RECORD at this point an excerpt from the committee press release summarizing the provisions of the bill.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

FINANCING PROVISIONS

Revised benefit formula for future retirees.—A substantial part of the long-range social security deficit under present law results from unintended effects of the automatic cost-of-living increase mechanisms adopted in 1972. The Committee has agreed to make the existing law cost-of-living increase provisions apply only to individuals who are already on the benefit rolls at the time each increase occurs. To assure that the value of benefits for new retirees is maintained, the Committee has agreed to a new formula for computing initial benefits. This new formula will avoid the over-indexing which was characteristic of the present-law formula. Under the new formula, persons retiring in the future will have their benefits determined on the basis of their previous wages after those wages have been adjusted to reflect changes in wage levels occurring in the economy. This approach is generally referred to as wage indexing. The formula adopted is designed to maintain benefit levels as a percent of preretirement income at approximately the same ratio as applied in the case of persons who retired in 1976.

Increase in amount of earnings subject to employer tax.—Under existing law, the employer share of the social security payroll tax is collected on the first \$16,500 earned by each employee. This amount increases automatically in future years as wages rise and is expected to increase to \$17,700 in 1978. The Committee provision would raise the base for employer taxes to \$50,000 starting in 1979. The employer base will remain at a flat \$50,000 through 1984 and then increase in 1985 to \$75,000. The base will remain at a flat \$75,000 until such time as the employee tax base reaches a level of \$75,000. Thereafter the two bases would be equal and would rise together in relation to the increases in average wages. It is projected that the \$75,000 base would remain in effect until sometime after the turn of the century. (Increasing the amount of wages subject to social security taxes would also result in a similar increase under the railroad retirement program. Since the railroad program has a higher tax rate for employers than for employees (related to certain segments of the benefit structure which are based on labor-industry negotiations), the Committee agreed to limit the applicability of this provision in the case of the rail-

road system. Under the Committee amendment the increased employer tax base would apply only to that part of the employer tax rate which is equivalent to the social security tax rate.)

Increase in amount of earnings subject to employee (or self-employer tax).—In addition to increasing the amount of wages subject to the employer tax, the Committee also approved an increase in the amount of annual earnings subject to the employee or self-employment tax. Under the amendment, there will be four \$600 increases over present law levels in 1979, 1981, 1983, and 1985. As under existing law, the tax base for employees and self-employed persons will also be automatically increased as wage levels rise. The table below shows the projected tax bases under this amount.

AMOUNT OF EARNINGS SUBJECT TO SOCIAL SECURITY TAX

Years	Present Law (employers, employees, self-employed)	Committee amendment	
		Employees/ self-employed	Employers
1978	\$17,700	\$17,700	\$17,700
1979	18,900	19,500	50,000
1980	20,400	21,000	50,000
1981	21,900	23,100	50,000
1982	23,400	24,600	50,000
1983	24,900	26,700	50,000
1984	26,400	28,200	50,000
1985	27,900	30,300	75,000

Tax rate increase.—The Committee also approved a modification of the social security tax rate schedules to bring in additional revenue. In order to bring in the revenue in a manner related to the projected outgo of the system, the modified tax rate schedule provides for a series of increases occurring in different years starting with 1979. The tax rate increases approved by the Committee would result in a revised tax rate schedule as shown in the table below. The changes in the Hospital Insurance (HI) rates shown in the table will, in combination with the tax base changes also approved by the Committee, leave the Medicare trust funds in roughly the same position as under existing law. (There would be a small net outflow from the Hospital Insurance fund to the cash benefits fund, but this would not change the year in which the Hospital Insurance fund is projected to become exhausted under present law.)

SOCIAL SECURITY TAX RATES ON EMPLOYER AND EMPLOYEE (EACH)

	[in percent]					
	Present Law			Committee amendment		
	OASDI ¹	HI	Total	OASDI ¹	HI	Total
1977	4.95	0.90	5.85	4.95	0.90	5.85
1978	4.95	1.10	6.05	5.05	1.00	6.05
1979-80	4.95	1.10	6.05	4.085	1.05	6.135
1981-84	4.95	1.35	6.30	5.35	1.25	6.60
1985	4.95	1.35	6.30	5.65	1.35	7.00
1986-89	4.95	1.50	6.45	5.65	1.40	7.05
1990-94	4.95	1.50	6.45	6.10	1.40	7.50
1995-2000	4.95	1.50	6.45	6.70	1.40	8.10
2001-2010	4.95	1.50	6.45	7.30	1.40	8.70
2011 and after	5.95	1.50	7.45	7.80	1.40	9.20

¹ Old-age, survivors, and disability insurance.

² Hospital insurance.

Increase in social security tax rate for self-employment.—When earnings from self-employment were made subject to the social security tax in 1950, the rate was set at one and one-half times the employee rate. At that time the employee rate was 1.5 percent and the self-employment rate was 2.25 percent. Over the years as tax rates were increased, the one and one-half to one ratio was maintained until 1973 when the cash benefit tax rate for the self-employed was frozen at 7 percent. (When the hospital in-

surance program was established the self-employment rate for that program was made equal to the employee rate and has remained equal as the rate has increased.) The Committee approved an amendment which would restore the self-employment tax rate for cash benefits to the original ratio of one and one-half times the employee rate effective in 1981.

Payments to State and local Governments and nonprofit organizations.—The Committee decision described above concerning the employer tax base will result in a higher amount of annual earnings being subject to the employer share of social security taxes than to the employee share starting in 1979. The Committee agreed to partially offset the impact of this increase on nonprofit organizations and State and local Governments by authorizing payments equal to 50 percent of their increased tax liability resulting from that change. In other words, the payment would equal 50 percent of the difference between the employer's social security tax liability and the employee's social security tax liability for such organizations or Governments.

OTHER SOCIAL SECURITY PROVISIONS

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

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

Increased benefits for certain widows.—Social security benefits for individuals who continue working past age 65 are increased under present law by 1 percent for each year prior to age 72 that the worker did not receive his benefits because of the social security retirement test. This delayed retirement which is added to the individual worker's benefit when he does retire or reach age 72 presently applies only to the worker's own benefit and is not passed through to his survivors. The Committee approved an amendment under which any such increment would also be added to the benefit payable to the widow or widower of such an individual.

Elimination of certain dual taxation requirements.—Under existing law, businesses are ordinarily required to pay social security taxes and Federal unemployment taxes with respect to a given employee only up to the amount of annual wages referred to as the tax base. (Under a provision described above, the tax base for the employer share of the social security tax would be in-

creased to \$50,000 effective in 1979. The base for Federal unemployment taxes is \$6,000 after 1977.) Where a business is organized as a group of related corporations, however, an employee of any one of those corporations who performs services for more than one of them is treated for employment tax purposes as though he were employed by each of the corporations for which he performs services. Consequently, if his wages exceed the tax base, social security and unemployment taxes may be required to be paid in excess of the wage base. The employer share of these taxes over the wage base is not refunded. The Committee agreed to an amendment under which social security and unemployment taxes in excess of the tax base would not be paid in this type of situation.

Delivery of social security checks.—The Committee approved an amendment which would assure timely delivery of social security checks when the normal delivery day falls on a weekend or legal holiday. Under present procedures, checks are generally delivered on the third of each month. In some cases when the third falls on a weekend or public holiday, the beneficiary may not receive (or may be unable to cash) the check until after the third. Under the Committee amendment, whenever the third of the month falls on a weekend or legal holiday, social security checks would be delivered on the Friday before the weekend (or on the day preceding the holiday).

Limitation on retroactive social security benefits.—Persons applying for social security benefits are now allowed to elect to start their entitlement for up to 12 months prior to the month in which they file an application. If these months are months prior to age 65, however, the retroactive benefits are obtained at the cost of a lower permanent benefit amount since benefits paid before age 65 are actuarially reduced. The Committee agreed to an amendment under which retroactive benefits would not be permitted in cases involving entitlement before age 65.

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

The Committee agreed to modify the cost-of-living increase mechanism so that all persons on the rolls at the time of an increase would receive the same percentage increase applied to their actual benefit amounts.

International social security agreements.—The Committee agreed to a provision which authorizes the President to enter into agreements with other countries to coordinate the social security protection provided for people who work under the social security programs of both the U.S. and the other country. A similar provision was agreed to by the Committee and the Senate in 1973 but did not become law. The Committee decision differs from the earlier provision in that it would allow either House of Congress to disapprove the agreement by simple resolution. Such action would have to be taken within 90 days after the agreement is submitted to the Congress.

Temporary administrative law judges.—The Committee agreed to a provision under which certain temporary administrative law

judges appointed to hear SSI claims some years ago will be appointed as regular administrative law judges in recognition of the experience they have had in the temporary positions. This provision carries out the intent of legislation previously enacted. (P.L. 94-202).

Deemed coverage of certain nonprofit organizations.—Legislation enacted in the last Congress (P.L. 94-563) deemed certain nonprofit organizations to have waived their immunity from social security taxation. These were organizations which had been paying social security taxes even though they had failed to properly waive their immunity. The Committee agreed to an amendment correcting certain problems created by last year's legislation. The Committee provision would allow organizations affected by P.L. 94-563 additional time to make certain elections and would also eliminate certain retroactive liability for social security taxes which was inadvertently created.

Social security advisory council.—The Committee agreed to extend the reporting date for the next advisory council on social security. Under existing law, the report is due to be filed by January 1, 1979. The Committee agreed to allow an additional 9 months (until October 1, 1979) for the completion of this report.

Study of spouses benefits.—The Committee agreed to require the Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouse benefits under the social security program, and proposals to bring about equal treatment of men and women under the program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of such things as changes in the nature and extent of women's participation in the labor force, the increasing divorce rate, and the economic value of women's work in the home.

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

PROVISIONS AFFECTING PUBLIC ASSISTANCE

Fiscal relief for State and local welfare costs.—The Committee agreed to provide \$374 million in additional Federal funding of welfare costs as a means of providing fiscal relief to State and local Governments for fiscal year 1978. Each State would receive a share of that total on the basis of a two-part formula. Half of the fiscal relief funds would be distributed to each State in proportion to its share of total expenditures under the program of aid to families with dependent children (AFDC) for December 1976, and half would be distributed under the general revenue sharing formula.

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

Quality control and incentives to reduce errors.—The Committee amendment would establish a program of fiscal incentives as part of the AFDC quality control program to encourage States to reduce the level of their dollar error rates with respect to eligibility and overpayment of aid paid under the approved State plan. Instead of applying sanctions on the States, the dollar error rates would be used as the basis for a system of incentives, which would give

the States motivation for expanding their quality control efforts and improving program administration. Under the amendment, States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs at a 4 percent payment error rate. This percentage would increase proportionately as shown in the following table:

If the error rate is:

At least 3.5 percent but less than 4 percent	10
At least 3 percent but less than 3.5 percent	20
At least 2.5 percent but less than 3 percent	30
At least 2 percent but less than 2.5 percent	40
Less than 2 percent	50

¹ The State would retain this percent of the Federal savings.

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

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

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

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

The Committee bill requires States to dis-

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

Mr. LONG. Mr. President, in order to expedite the proceedings on this bill, I ask unanimous consent that the committee amendment be agreed to and that the bill as thus amended be considered original text for the purpose of further amendment.

Mr. CURTIS. Reserving the right to object, and I do not expect to object, may I inquire, if we follow this procedure, even though we have agreed to the committee amendments en bloc, an amendment is in order to strike out or change any one of them?

Mr. LONG. That is right, an amendment in the first degree or in the second degree or a substitute for the bill could all be considered.

Mr. CURTIS. The distinguished Senator on my right (Mr. GOLDWATER) may be offering an amendment relating to the retirement, the amount of earnings a beneficiary can have and still get his social security benefits. This would not prejudice such a move at all, would it?

Mr. LONG. No, but I think that in fairness I ought to caution every Senator that the Committee on Finance has already run afoul of the Budget Committee in trying to bring our recommendations on this bill before the Senate. We had requested that the Budget Committee give us a waiver so the Senate could consider a similar type of amendment by Mr. DOLE of Kansas. That matter was being debated in the Budget Committee at the time I left there, just 20 minutes ago.

I suspect that the Senator may find these matters subject to a contest with the Budget Committee. They may make a point of order under the Budget Act, which could deny the Senator the right to offer his amendment. What I am requesting would not in any way prejudice the Senator's right to offer an amendment, but what the Budget Committee is considering may give him some problem.

Mr. GOLDWATER. The question I have in mind does not require any advice from the Chair, just from the committee chairman. We have now substituted a House bill and we are going to act on that. The House bill contains in substance the amendment I have in mind. If we take the House bill, there is no need of my talking about my amendment. Is that right?

Mr. LONG. It is not quite the way the Senator thinks it is at the moment. At this moment, we are asking that our bill be substituted for the House bill. If the committee amendment should not prevail, then we would, of course, be considering the House bill.

I should think, I say to the Senator, that if the committee bill fails, a point of order can be raised by the Budget

Committee against that very provision in the House bill to which the Senator makes reference.

I do not pretend to be an expert on section 303 of the Budget Act, which I believe might be the one that the Budget Committee would rely upon to make a point of order.

Mr. GOLDWATER. Could they not make a similar judgment or ruling against the entire bill because it does far exceed the budget?

Mr. CURTIS. If the Senator will yield right there, there is no increase in benefits in this bill. There are extensive changes. The amendment that I will offer will increase revenues. Of course, it is not in the bill at this time, but I found that the Budget Committee, in their infinite wisdom and their guardianship over the Finance Committee, required a waiver before I could offer an amendment that might bring in some funds to save a deficiency in the budget.

I have no criticism of individual members of that committee, but I think we need some reform in our procedure.

Mr. GOLDWATER. I stand corrected. I made the wrong statement, excess of the budget. I change that to in the long run, it is going to cost American taxpayers a hell of a lot more money.

Mr. LONG. This may come as a surprise to the Senator, and I know it comes as a surprise to most Senators: We had to obtain a waiver from the Budget Committee in order to raise some money in order to reduce the deficit in the social security program.

Mr. GOLDWATER. Not a bad idea.

Mr. LONG. By virtue of the waiver of the Budget Committee, we are presenting our amendment to raise money and also to do some of the type things the Senator has in mind, insofar as we have been able to agree on it.

Mr. GOLDWATER. Would the Senator suggest then that I wait and see what happens and what procedures we follow, because we may find ourselves someplace along the line having a Senate bill, at which point I think my amendments would be proper?

I do not know whether it would be proper parliamentarywise to offer an amendment that is already contained in the bill we are discussing.

Mr. LONG. The Senator can certainly offer an amendment. There is nothing to keep him from doing that. But I believe that unless the Budget Committee sees fit to grant a waiver on it, the Senator will find there will be objection made on the basis that it is contended that would violate the Budget Act.

Mr. CURTIS. Will the Senator yield there?

Mr. LONG. Yes.

Mr. CURTIS. I think I can summarize it in this manner.

Insofar as the Finance Committee is concerned, there is nothing about the pending unanimous-consent request that would preclude the distinguished Senator from Arizona from offering his amendment.

Mr. LONG. That is right.

Mr. CURTIS. On the other hand, any procedure we take here will not be blind-

ing on the Budget Committee. They still may come in and may or may not raise an objection to it.

I would like to ask this question—

Mr. LONG. The Budget Committee has agreed to a waiver of the committee bill, and also agreed to a waiver so that the Senator from Nebraska can offer two amendments he has in mind to offer, which would implement his approach to the social security financing.

Mr. CURTIS. But the pending unanimous-consent request, did that include substituting the committee bill for the House bill?

Mr. GOLDWATER. No, I do not think so.

Mr. LONG. Yes, it does.

Mr. CURTIS. It does?

Mr. GOLDWATER. When it is ready.

The Senator says it did?

Mr. CURTIS. May we have it read again, just the unanimous-consent request?

Mr. LONG. That the committee amendment be agreed to and that the bill as thus amended be considered original text for the purpose of further amendment.

Mr. CURTIS. That is just an amendment to the Senate bill, is that right?

Mr. LONG. That is an amendment to substitute the Finance Committee proposal for the House bill.

The PRESIDING OFFICER. The language is amendable.

Mr. LONG. It would then be amendable in the first and second degree.

Mr. GOLDWATER. Would the Senator answer a further question?

My amendment, as well as the amendment contained in the House bill, would not take effect until 1982. So the 1978 budget would not be affected. Could the Budget Committee raise any question on that?

Mr. LONG. It may be that it would not run afoul the budget process at all. But they are not here at this moment and when they come over we will be in a better position to hear from them.

The PRESIDING OFFICER. Is there objection?

Mr. LONG. May I say to the Senator that I just cannot advise him on it because I am not the best authority, and if I sought to speak for the Budget Committee I would do it great peril.

Mr. GOLDWATER. I understand, and we will be patient.

Mr. LONG. I thank the Senator.

Mr. GOLDWATER. Of course, the Senator could take the amendments and avoid all the confusion.

Mr. LONG. If I sought to take that amendment without the Budget Committee being here, then I would find myself in even deeper trouble than I have been in with that committee on other occasions. So I would prefer to take their advice.

The PRESIDING OFFICER. Is there objection?

Without objection, the amendment of the Senator from Louisiana is agreed to as original text.

The bill is open to further amendment. If there be no further amendment—

Mr. CURTIS addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, there are a number of proposals or amendments to the social security law embodied in the bill that comes from the Senate Finance Committee. In the overall, I think that they will improve the budget situation so far as the social security fund is concerned, rather than deplete it.

One of the reasons for our deficit, and only one, is the provision referred to as decoupling where the effects of inflation are actually treated twice in order for the automatic raises.

That is taken care of and, probably, in the long run, that would pay the cost of all the other provisions in the bill.

Many of these provisions deal with specific and more or less individual cases that have arisen, not that we are legislating for individuals, we are legislating in generalities. But it is the individual case that usually calls to the attention of the Congress a deficiency in the law.

Mr. President, the main controversy in this bill will be over social security financing. In a way, the system is complex. But, on the other hand, it can be easily understood.

This year, the social security fund will pay out about \$6 billion more than it takes in. Next year it will be a little worse. The question is, how do we meet this financial need of the social security system?

There is a very simple answer available. A tax increase of one-half of one percent on employer and employee would take care of the immediate needs and take care of the long-range deficiency. It is that simple.

However, there is a reluctance to impose taxes. I think it is a misguided one.

I believe that the smartest political vote is to send word out to the country that we are running behind here, we are going to meet it forthrightly and guarantee it to all the people that we are not going to allow serious trouble in the social security fund. I think that is what the people over 65 want. I believe that those between 55 and 60 would like that. I think everybody would—even though they resent higher taxes.

You either meet it forthrightly or you dodge it in some roundabout way. Several dodges have been suggested. One is that you dip into the general fund. When you do that, it becomes a welfare payment.

The particular angle advanced by the committee is, "Let's load this on the employers only." Well, my hunch that if the social security financing proposed by the Finance Committee becomes law, they will be back in here repealing it in less than 6 months, because it will create havoc with employers all over.

Nebraska is a rather small State populationwise, but what the committee proposed will increase the social security taxes to be paid by the University of Nebraska a million dollars a year. Other institutions are in the same situation.

What happened when we voted not to dip into the general fund for social security? I respect and honor the committee for so deciding. They said, "Let's increase

the wage base on the employers only up to 100,000." At the present time, everybody pays social security taxes on \$16,500. "Let's reach in and get more money from the employers, by raising them."

Aside from a burden that they cannot bear, consider how unfair it is. A business or an institution that has a great many highly paid people might have their social security taxes raised by as much as 80 percent. Another employer who does not have any highly paid employees pays nothing toward meeting this problem. There, Mr. President, is the simple problem.

I thank the leadership of the Senate for calling this session so that the distinguished Senator and I can talk to each other about this. No other Senators are here except my distinguished friend, the Senator from Oklahoma (Mr. BELLMON), and Mr. HOLLINGS. They are here to look after the Finance Committee, in their jurisdiction of the Budget Committee; and I am pleased to know that they have granted their consent for the Senator from Nebraska to offer an amendment to increase the taxes and assure that these benefits can be paid. I appreciate that very much. I was concerned that perhaps they would not grant the waiver. However, sometime before we vote on this matter, I hope that the leadership, with the great power and influence vested in them, will get some Senators here, because their constituents want the social security law to be made sound.

Mr. President, nothing has happened in social security that surprises anybody who knows anything about it. Congress went for a long time expanding social security, paying medicare out of the payroll tax, expanding it to survivorship, increasing benefits, and the taxes were low. Well, there comes a day when you have to pay for that.

What the social security system is going through right now is the same experience that assessment life insurance companies went through in the early part of this century. They would start an assessment life insurance company, and every time they had a claim to pay, they would assess all the other members enough to pay that claim. It was great. All their members were young people. They were taking in a lot of new members; not very many of them died; so the assessment was low.

The money rolled in at a very low assessment; there were few claims to pay, and they were in good shape.

Then came a day when those members became older and were going to die, and the inducement for new members to join faded, because they were coming in at a time when there were many bills to pay.

That is exactly the situation of social security. For years and years, after I became a Member of Congress, the maximum tax for an employee to pay was \$30 a year. The maximum tax that an employer had to pay on an employee was \$30 a year. Why not? They did not cover the present aged at that time. They were taking in new members by law all the time, and the money rolled in. The promoters of the welfare state said, "Ah! Look at the billions of dollars we have. It's fine." They knew what they were

doing. They knew they could expand it before people realized the cost of it. Well, it is here.

Social security has a lot of good virtues, and one is that it is a retirement system for people to exist in dignity. It is not welfare.

The minute you change it and dip into the general fund, you have ruined it; because after the appropriating process goes along here, somebody is going to get up and say, "We can't pay it to certain groups. The tax is too high." Also, if you load it heavily against the employer, the same result will occur. It has been received in dignity because everybody paid. It was not from general funds. Half of it was paid by employers and half of it by employees.

The committee first voted to raise the employers' tax to \$100,000. Now they have retreated a little and have said, "We will just raise it to \$75,000 and take that in two steps."

I hold in my hand a letter. By chance, this is the one I took from my file first, I want the distinguished Senator from Wisconsin to know. It is from the Wisconsin Telephone Co.:

In response to your request regarding the effect of a higher FICA wage base for employers only in 1979, please be advised that this proposal would increase our social security taxes almost \$2 million over the current schedule for 1979.

That was at the \$100,000 ceiling. Not many people are paid more than \$75,000 and less than a \$100,000 in the Wisconsin Telephone Co. So it would be just about as burdensome—not quite, perhaps, but just about as burdensome—at the present figure of \$75,000 being reached in two steps.

Mr. President, I repeat that if this measure is passed by Congress, they will be in here in less than 6 months, repealing it. It is an unbearable burden. The country will not stand for it, and we should not enact it.

I yield the floor.

Mr. HOLLINGS. Mr. President, I ask unanimous consent that during the consideration of the social security bill, the following members of the staff of the Budget Committee have the privilege of the floor: John McEvoy, Karen Williams, George Merrill, and Michael Joy.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, the letter read by the distinguished Senator from Nebraska concerning the Wisconsin telephone company as well as all of the other letters read into the Record compare the increased cost of social security payments under the pending legislation reported to the Senate by the Finance Committee to 1977 social security liabilities. They do not compare the increased costs that they are going to pay against the proposal that was adopted in the House of Representatives, to Senator CURTIS' proposal or to any other proposal. So these letters distort the future liability of these employers. Since the 1977 social security liability for employers and employees will be changed under provisions of current law, the figures cited in these letters are improperly used.

Second, these letters all ignore the fact that 87 percent of all wages in America are already covered by social security; in other words, the taxable earnings base already covers 87 percent of them, so all kinds of businesses, millions of them, are going to pay less money under the proposal which increases the base of only the employer to \$50,000 in 1979 and \$75,000 in 1985, as opposed to the alternative which increases payroll taxes on all of them. So this has to be looked at in its proper perspective, recognizing that many employers will pay less taxes; whereas, some others will pay more. Those who will pay more will not pay as much more as they state in their letters because they are comparing it to their 1977 liability. Their social security liability is going to be increased under present law.

Next these letters ignore the fact, of course, that 100 percent of the social security tax liability is deductible from these employers Federal income tax returns. Those in the 50-percent tax bracket are only paying 50 percent of the additional social security liability. Furthermore, when the employer pays on a higher earnings base, that does not increase the retirement benefit of his employees. That is to say, the amount that the employer pays in excess of what the employee pays on the earnings base does not increase the retirement benefit of the employee, thus avoiding a long-term obligation—an obligation which employers eventually will have to pay one-half of in order to support the retirement benefits of those employees.

Mr. President, I wish to have printed in the RECORD a group of letters that have been written to me in support of the Finance Committee social security financing proposals.

Mr. President, I shall ask unanimous consent, after simply reading the organizations that have sent these letters, that the letters be printed in the RECORD.

Mr. President, the first letter is a letter from the National Retired Teachers Association and the American Association of Retired Persons. There is a letter from Mr. Califano, the Secretary of Health, Education, and Welfare; a letter from the American Federation of State, County, and Municipal Employees; a letter in some detail from Mr. Robert Ball, the Commissioner of Social Security from 1962 to 1973; a letter from the American Federation of Labor and Congress of Industrial Organizations; a letter from the organization Public Citizen; a letter from the National Education Association; a letter from the International Brotherhood of Teamsters, Chauffeurs, Warehousemen and Helpers; a letter from the International Longshoremen and Warehouse Union; a letter from the National Council of Senior Citizens; a letter from the National League of Cities and the U.S. Conference of Mayors.

I ask unanimous consent that these letters be printed at this point in the RECORD.

The PRESIDING OFFICER. Is there objection?

Mr. CURTIS. Mr. President, reserving the right to object and, of course, I shall

not object, but I wish to ask the distinguished Senator this: I listened very closely. Is it true there are no letters in that packet from employers? Now some of those associations may incidentally have a few employees, but there is no one that has to bear the burden of this tax who has written an endorsement. They are all employees or present recipients. Is that right?

Mr. NELSON. There are also beneficiaries, as well as mayors, who have the responsibility to raise local revenues to pay for the social security program.

Mr. CURTIS. Were there some mayors in there?

Mr. NELSON. The National League of Cities and the U.S. Conference of Mayors.

Mr. CURTIS. Do they report the cities endorsing what the association has said?

Mr. NELSON. No, they did not name any cities. However, as the Senator knows, the Finance Committee discussed the impact of the proposal that the distinguished Senator from Nebraska made and compared it to the one that I made. The Finance Committee considered the impact on the cities, and as the Senator will recall, the fiscal impact, under the proposal of the Senator from Nebraska, in comparison to the proposal that I have made, was greater on all cities but three.

Mr. CURTIS. If the Senator has such a statement I would like to have the figures in support of that spread out including their payroll and how they arrive at such a figure.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

NATIONAL RETIRED TEACHERS ASSOCIATION, AND THE AMERICAN ASSOCIATION OF RETIRED PERSONS,

Washington, D.C., November 1, 1977.

Senator GAYLORD NELSON,
Chairman, Subcommittee on Social Security,
Russell Senate Office Building, Washington, D.C.

DEAR SENATOR NELSON: On behalf of our 12 million member organization, I wish to commend you for your diligent efforts in developing the social security financing package that has been favorably reported from the Finance Committee.

Since our members are primarily beneficiaries of the system, our first concern is that benefits continued to be paid without interruption. Not only will your package assure continued benefit payments, but it should restore to safer levels the assets of the contingency trust funds, thus reducing, if not eliminating, any anxiety on the part of current workers as to their realization of promised future benefits.

We wish to endorse specifically the "decoupling" provisions of the bill. The wage indexing approach should maintain over time the current 44 percent replacement ratio of benefits at retirement to gross earnings just prior to retirement.

We are also pleased with the step increases in the exempt amount of the social security earnings limitation. While these provisions do not go as far as we would like—namely, elimination of the earnings test—they certainly represent significant progress toward that goal.

Finally, we endorse the bill's departure from taxable wage base parity for employers and employees. Since social security is in need of much more revenue, we believe that it is better to levy a greater share of this in-

creased tax burden on employers. Their increased tax liability is deductible in computing their income taxes. Also, departure from wage base parity will have the effect of holding down to some extent the long term liability of the social security system.

As you know, our Associations have consistently recommended that general revenues be used to finance a portion of the cost of social security cost-of-living adjustments. We also endorsed the Administration's proposal to use general revenues to replace payroll tax revenue that is lost to the system when unemployment rises above 6 percent. We continue to think that these two counter-cyclical general revenue devices are necessary to stabilize the social security programs and insulate them from the consequences of high inflation and unemployment—the primary causes of the short-term imbalance. We consider it unfortunate that this general revenue policy option has not yet attracted the degree of support it needs to make it viable legislatively.

While we are disappointed that this option was not included in the financing bill, we recognize that no social security financing package is, or can be, perfect and equally pleasing to all parties and interests concerned. Your package represents a reasonable combination of very difficult policy choices. It has our support.

Sincerely,

PETER W. HUGHES,
Legislative Counsel.

THE SECRETARY OF
HEALTH, EDUCATION, AND WELFARE,
Washington, D.C., October 31, 1977.

Hon. GAYLORD NELSON,
Chairman, Social Security Subcommittee,
Committee on Finance, U.S. Senate,
Washington, D.C.

DEAR Mr. CHAIRMAN: Please accept my sincere thanks for the effective leadership you have provided in connection with the social security financing legislation. We are grateful to you and your colleagues for the action you have taken in approving legislation to deal with this vitally important issue.

I believe the Finance Committee bill reflects a responsible approach to social security financing; it embodies many of the principles contained in the Administration's own proposal. I hope we can continue to work together to preserve such concepts as disparity between the taxable wage base for employers and employees, and a tax rebate to non-profit employers that more nearly reflects the effects of the bill's new tax provisions than alternatives proposed in Committee.

We will be commenting in greater detail before the start of the House-Senate conference with respect to both bills.

It has been a pleasure to work with you and your colleagues on this important issue. We look forward to continuing cooperation in the effort to enact legislation to preserve the financial integrity of our social security system.

Sincerely,

JOSEPH A. CALIFANO, JR.

AMERICAN FEDERATION OF STATE,
COUNTY AND MUNICIPAL EM-
PLOYEES,
Washington, D.C., November 1, 1977.

Hon. GAYLORD NELSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR NELSON: The Senate Finance Committee has produced a Social Security financing bill which we believe is far superior to that which passed the House last week. We understand that your good work made this possible.

However, we do not believe that the Committee bill goes far enough in recognizing the effect that both the wage base and the tax rate increases contained in it will have on already hard pressed state and local jurisdic-

tions. Those are jurisdictions which provide most responsibly for their employees retirement by participating in the Social Security System.

Although the Committee bill offers these jurisdictions some relief from the increased burden resulting from contributions made on behalf of their higher salaried employees, it is silent on the increased burden attributable to lower paid employees—by far the majority of the workers. For these reasons we feel that Senator Danforth's amendment will serve to make an already good Social Security financing package even better.

We would like to take this opportunity to congratulate you on your foresight in scheduling hearings this year on the issue of universal coverage. We hope that these hearings will begin to correct the misinformation surrounding universal coverage which were so evident in the House. Fairness to all workers and beneficiaries means that benefits and costs of the Social Security system should be shared by all workers. We look forward to the opportunity to work with you in developing suitable legislation in this area.

Sincerely,

WILLIAM B. WELSH,
Executive Director for
Governmental Affairs.

OCTOBER 31, 1977.

Senator GAYLORD NELSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR NELSON: I am writing to express my strong support for the social security proposal that you developed and that has now been recommended to the Senate by the Senate Finance Committee. Your proposal seems to me to address both the short-range and the long-range problems of social security financing in a very sensible way.

I believe there are seven main principles that should be followed in strengthening social security financing, and your plan as reported by the Senate Finance Committee follows all seven.

1. Contribution rate increases should be kept to the minimum consistent with a sound plan. Rate increases have to be paid by all workers, those with low wages as well as those with high wages. I very much favor holding down the rate increases, as you have done, by increasing instead the proportion of payroll on which employers pay. Thus under your plan, you have been able to hold rate increases over present law (including hospital insurance under Medicare) to only 3/10ths of 1 percent of wages through 1984, to an additional 3/10ths of 1 percent through 1989, plus another .45 percent through 1994. This is a total of only .05 greater than would occur from moving up the presently scheduled rate for the year 2011 as recommended by the President. (The rate increases scheduled for 1995 and later are discussed in item 7 below.)

2. The maximum annual earnings on which employees pay and which are credited for benefit purposes should be increased somewhat. As the President pointed out both prior to his election and since, insofar as the income of the program is increased by raising the maximum earnings on which the individual pays contributions, the additional payments are made only by the highest paid 15 percent of workers in the country—the percentage who do not now have all their earnings covered for social security purposes. And, very importantly, those workers who pay on higher earnings receive greater protection and higher benefits because the additional earnings on which they pay are included in the computation of their benefits. The Senate Finance Committee proposal to increase the maximum amount of earnings counted for benefit and contribution purposes by four \$600 steps is the same as the President's recommendation.

3. Employers should pay on a higher proportion of their total payrolls than would be the case if the maximum earnings base were raised equally for employers and employees. In this way the income to the system can be increased without at the same time incurring as great a liability for future benefits as would occur if the wage base were increased equally for employers and employees. This is true because it is the amount of earnings on which employees pay that is included in the benefit computation. Although this is something of a departure in the American social security system from the approximately equal division of costs between employers and employees in the past (employers now pay 48 percent of the cost, employees 47 percent, and the self-employed 5 percent), there are many other countries where the amount paid by employers and employees is not equal. This is the case in Belgium, Denmark, France, Italy, Norway, Portugal, Spain, Sweden and Great Britain.

There is no good reason why the employer contribution needs to be thought of as being attached to any particular employee and to be based on the idea of matching his contribution. The employer contribution can be thought of, rather, as a contribution to the system as a whole with more of it going to some employees than to others as is the case in most private pension plans and group insurance.

Your proposal does not greatly change the proportion of support between employers and employees. After its adoption, employers would pay about 50 percent of the cost of the system, employees about 45 percent, and the self-employed about 5 percent. Although the President recommended taxing the entire employer's payroll, the Senate Finance Committee plan has much the same effect for the next 15 years or so.

As I indicated earlier, the alternative to shifting to a system which taxes employers more than employees has to be either a greater increase in the contribution rate paid by all workers, a greatly increased earnings base on which higher-paid workers would both contribute and earn substantially increased benefits, or a major infusion of general revenues. Although I am sympathetic to the use of some general revenue financing in social security in the long run, it does not seem to me to be desirable at this time to put the social security system in competition with welfare reform, national health insurance and other needed programs that must necessarily be supported in considerable part from general revenue.

4. Any proposal for increasing the social security taxes of employers more than the contributions of employees should take into account that non-profit organizations and state and local governments do not have any way, as corporations do, of writing off up to nearly half of the increase under the corporation income tax laws. It seems to me, therefore, that your proposal to refund to these organizations from the general treasury 50 percent of that part of the employer's increased tax that exceeds the increase to be paid by employees is fair. It does not seem to me, however, that this is the time to consider relieving these organizations of, generally speaking, matching what employees pay.

5. Any proposal for strengthening the financing of social security should include a provision for stabilizing replacement rates, and thus substituting a predictable system of benefit computation for the present automatic provisions which are much too susceptible to the happenstance of how wages and prices move. The change to a wage-indexed system of benefit computation in the Senate Finance Committee proposal would, in itself, be enough reason to support this legislation. While guaranteeing to current contributors that they will receive benefits that are the same proportion of recent earnings when they retire as was true for workers re-

tiring in 1976, the proposal reduces the estimated long-range actuarial deficit about in half. This is true because recent estimates of cost have assumed increases in wages and prices for the long-range future that under present law would result in benefits for many people that would actually exceed any wages they had ever earned. The proposal to base benefits upon average indexed monthly earnings as made by the President and incorporated in your proposal thus prevents unwarranted increases in the future while at the same time protecting the legitimate interest of present contributors.

6. The financing plan should build reserves to an adequate contingency level so that in the event of a recession it would be unnecessary to increase contribution rates at a time that would be undesirable from the standpoint of economic policy. Your proposal is estimated to gradually increase reserve levels over the next 10 years to somewhat over 50 percent of the next year's outgo, a reserve which is deemed to be fully sufficient according to recent studies of the Department of Health, Education, and Welfare.

7. Although in my opinion not absolutely essential, it seems to me desirable to bring the system into approximate actuarial balance according to the official cost estimates over the 75-year period for which the estimates are made. The Senate Finance Committee proposal does this (in fact it creates a small surplus) by increasing contribution rates in 1995, 2001 and 2011. My own view is that the estimates on which these calculations are based are unnecessarily conservative and that rate increases beginning in 1995 of the size proposed will not be needed. Nevertheless, as a matter of prudence, I support their inclusion in the law at this time. If the income is not needed, or if other sources of revenue are substituted, these scheduled increases can easily be rescinded.

All in all, it seems to me your proposal as recommended by the Senate Finance Committee meets well the seven principles I have outlined. Contribution rate increases are kept relatively low until 1995, and consideration can be given between now and then to the question of whether the additional scheduled increases are really needed. Modest wage base increases on both employees and the self-employed are included as recommended by the President. The larger increase in the wage base that you propose on the employer's side is what makes it possible to hold down the contribution rates and the employee wage base to the level that you have provided. Your proposal on this point is again quite similar to the President's recommendation. Your proposal for stabilizing the replacement rates through wage indexing seems to me eminently sound and quite similar to that proposed by the President, and the provision in your plan for the partial tax relief of non-profit organizations and state and local governments seems to me to be an improvement over the Administration's recommendations. You have provided for the building of adequate reserves and the full restoration of the long-range actuarial balance of the system.

I hope very much that this legislation can be enacted quickly so as to relieve the concern which both social security beneficiaries and contributors to the program now have.

Sincerely yours,

ROBERT M. BALL,
Commissioner of Social Security, 1962-73.

AMERICAN FEDERATION OF LABOR
AND CONGRESS OF INDUSTRIAL
ORGANIZATIONS,

Washington, D.C., October 27, 1977.

Hon. GAYLORD NELSON,
U.S. Senate,
Washington, D.C.

DEAR SENATOR: The Senate will soon be voting on the Social Security Amendments of 1977, designed to restore the financial soundness of the Social Security System.

These proposals are constructive and show a responsible concern for the security of this nation's workers and their families. If enacted, they will assure American workers and retirees that the social security program will remain financially sound now and in the next century.

Though the bill has a number of provisions the AFL-CIO has opposed, it does deal responsibly with the program's financial problems. The Senate should pass the bill as soon as possible and without any amendments that would endanger the financial integrity of the system.

We commend your leadership on this issue and pledge our support in behalf of your efforts to enact this legislation into law.

Sincerely yours,

ANDREW J. BIEMILLER,
Director,
Department of Legislation.

PUBLIC CITIZEN,
Washington, D.C., October 28, 1977.

DEAR SENATOR: We are writing concerning the Social Security Financing Bill, which will soon be voted on in the Senate.

In your consideration of this legislation, we urge you to vote against further increases in the payroll tax rate. Rate increases impact primarily on low and moderate income workers, many of whom already pay more in social security taxes than they do in federal income taxes. Furthermore, the combination of the payroll tax and the income tax results in taxpayers earning between \$10,000 and \$50,000 paying at virtually the same rate of tax—rather than the progressive tax system we supposedly have.

On the other hand, we believe that increases in the wage base on which the payroll tax is assessed are a desirable way to finance the social security system. Wage base increases only affect upper income workers (the top 14% currently), and enhance the progressivity of the total federal tax system. In fact, we would favor complete elimination of the wage base ceiling, so that all workers would pay the same rate of payroll taxes. (Currently, high income workers pay at a far lower rate than average workers.) The Finance Committee bill has adopted with some modifications the approach proposed by the Administration of only raising the wage base for employer contributions. This has the advantage of not increasing future benefit payments, but it does not do as much for the progressivity of the total tax system.

When the bill comes to the floor, we strongly urge that you vote against the amendment to be offered by Senator Curtis. His proposal would eliminate the bill's increases in the employer wage base in favor of substantial hikes in the payroll tax rate. It would add to the tax burden on average workers in order to reduce the load on the better-off. This approach should be rejected.

Sincerely,

ROBERT S. MCINTYRE.

NATIONAL EDUCATION ASSOCIATION,
Washington, D.C., November 1, 1977.

HON. GAYLORD NELSON,
Chairman, Subcommittee on Social Security,
Senate Finance Committee on Finance, Wash-
ington, D.C.

DEAR SENATOR NELSON: The National Education Association is grateful for the actions taken by the Finance Committee with respect to protecting the solvency of the Social Security System. We are particularly pleased that the Committee did not recommend mandatory coverage for state and local public employees.

We believe that the structure of wage bases, tax rates, and tax relief you proposed in Committee are sound and should be en-

acted into law. Your proposals, as adopted by the Committee, benefit employees, who are hardest hit by the inherent regressivity of the tax. The tax credit provision you proposed also minimizes the impact on public employers, who will temporarily carry a proportionately larger share of the tax burden. We applaud your leadership as the Committee undertook the difficult task of fashioning a sound bill that provides the greatest possible degree of social equity.

Sincerely,

STANLEY J. MCFARLAND,
Director of Government Relations.

INTERNATIONAL BROTHERHOOD OF
TEAMSTERS.

Washington, D.C., October 28, 1977.

HON. GAYLORD NELSON,
Chairman, Subcommittee on Social Security,
Senate Finance Committee, U.S. Senate,
Washington, D.C.

DEAR SENATOR NELSON: In the near future, the Senate will be considering the Social Security Amendments of 1977.

In our view, your leadership in this area has been most responsive to the needs of our members and all working people.

While some adjustments may be necessary, we believe your proposals will provide a fair and reasonable solution to this very important matter.

Thank you for your consideration in this matter.

Sincerely,

DAVID A. SWEENEY,
Legislative and Political Director.

INTERNATIONAL LONGSHOREMEN'S
AND WAREHOUSEMEN'S UNION,
Washington, D.C., October 28, 1977.

HON. GAYLORD NELSON,
Chairman, Subcommittee on Social Security,
Senate Finance Committee, U.S. Senate,
Washington, D.C.

DEAR SENATOR NELSON: The Social Security Amendments of 1977 will soon be voted on in the Senate. Most of these proposals will correct the financial difficulties of the Social Security System. While labor opposes certain provisions in the bill, it goes a long way in solving the financial problems of the Social Security System. We therefore urge passage of the measure as soon as possible—without crippling amendments.

We commend your leadership in this matter, and be assured of our full support on behalf of your efforts to pass this bill.

Sincerely,

PATRICK F. TOBIN,
Washington Representative.

[From the National Council of Senior
Citizens, Inc., Washington, D.C.]

STATEMENT OF THE NATIONAL COUNCIL OF
SENIOR CITIZENS ON SOCIAL SECURITY
FINANCING PROPOSALS

The National Council of Senior Citizens, a nonprofit, nonpartisan group representing over three million organized seniors, strongly supports expeditious passage of the Social Security Financing Amendments, with special favorable emphasis on the Nelson proposal to break parity between the employee and employer covered wage base. There is no magic in an equal division of shares and many other Western industrial nations successfully operate Social Security systems with unequal contributions. A larger employer share has the advantages of not imposing any further future liabilities on the system and avoiding further regressive taxation of lower and middle income workers. Additionally, the Nelson proposal offers adequate fiscal relief to state and local governments and private nonprofit organizations through a tax rebate equal to one-half of the difference

between aggregate employer tax payments and aggregate employee tax payments.

We oppose the Danforth proposal which offers a tax rebate to public and private nonprofit units equal to ten per cent of the aggregate employer payroll tax liability as excessive, arbitrary, and an inefficient use of scarce resources.

We oppose the Curtis proposal to maintain parity since this approach requires unjustified and regressive tax rate increases above and beyond those already under consideration. Payroll tax rate increases unduly penalize lower and moderate earnings of workers and severely damage the political and economic acceptability of the Social Security program.

We urge prompt action—without crippling amendments—to restore public confidence in the Social Security system and in our government.

NATIONAL LEAGUE OF CITIES AND THE
U.S. CONFERENCE OF MAYORS,

October 28, 1977.

HON. GAYLORD NELSON,
Social Security Subcommittee, Senate Finance Committee, Dirksen Senate Office Building, Washington, D.C.

DEAR SENATOR NELSON: It is expected that the Senate will attempt to conclude their deliberations on the 1977 Amendments to the Social Security Act some time prior to adjournment. As we indicated in an October 20th letter to Senator Long, there are several issues of significance to the nation's cities that remain to be resolved.

It is neither surprising nor new to indicate that the fiscal impact of federal legislation is of grave concern to cities which are in many cases already severely pressed to maintain existing services. Increases in the Social Security tax rate as well as the taxable wage base, however minimal, will nevertheless be felt at the local level.

We have reviewed both your proposal and others discussed in the Finance Committee, and our research indicates that tax rate increases have a more significant cost impact on local budgets than do increases in the taxable wage base. Since we realize that steps must be taken to insure the viability of the Trust Fund, we would prefer to see your approach adopted.

We'd like to take this opportunity to commend you for your concern and interest in our views and offer our support for your tax rate and wage base proposal.

Sincerely,

ALAN BEALS,
Executive Director,
National League of Cities.
JOHN GUNTHER,
Executive Director,
U.S. Conference of Mayors.

Mr. NELSON. May I say to the Senator what we did was ask the National League of Cities to check some cities and find out—they selected them, we did not—what would be the impact upon the cities of the proposal by the Senator from Nebraska and the proposal that I had presented to the Finance Committee. They selected 14 cities; of those 14 cities, the fiscal impact of the proposal I made was more beneficial to 11 of the 14 cities. Under my proposal, they did better, from their viewpoint, than under the proposal of the Senator from Nebraska.

I ask unanimous consent that that table be printed at this point in the Record.

There being no objection, the table was ordered to be printed in the Record, as follows:

*Employer tax liability for selected cities
under alternative social security financing
plans (1979)*

	Percent increase		
	Current law (\$'000)	Nelson	Curtis Plan 2
Anchorage, AK -----	1,279	15.2	7.5
New Haven, CT -----	207	1.3	5.4
Wilmington, DE ----	643	3.5	5.9
Savannah, GA -----	846	1.8	5.5
New Orleans, LA -----	3,589	3.3	5.5
Kansas City, MO -----	3,368	8.5	8.9
Lincoln, NE -----	1,842	29.2	31.8
Omaha, NE -----	1,550	6.3	2.7
Poughkeepsie, NY --	360	1.9	5.6
Portland, OR -----	3,200	15.6	7.1
Houston, TX -----	6,812	4.6	5.7
Richmond, VA -----	4,318	3.3	5.8
Milwaukee, WI -----	4,370	4.6	6.0
Cheyenne, WY -----	171	4.7	8.9

Source: Computations based on data supplied by the National League of Cities.

This table demonstrates that these selected municipalities would have lower total social security tax liability under the Nelson social security financing plan than under the Curtis Plan No. 2 in most instances (11 of 14 cities).

Nelson Plan: Finance Committee plan modified by the inclusion of a \$50,000 employer wage base effective in 1979 and \$75,000 in 1985.

Curtis Plan: Finance Committee plan modified by the inclusion of additional tax rate increases of 0.25 for employers and employees each in 1979, 0.1 each in 1983, and 0.1 each in 2011 in lieu of the \$100,000 wage base. Wage bases for employers and employees would be increased by a total of \$2400 between 1979 and 1985.

Mr. CURTIS. There will be no objection under my reservation.

Now, the present social security tax is a little less than 6 percent on employers. To raise it a half percent would be raising it by one-twelfth, but if you raise the wage base up to \$100,000, I am sure you are going to get a much bigger raise than that, but I appreciate having the information, and I do not wish to delay the distinguished Senator in his presentation.

Mr. DANFORTH. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. NELSON. I yield to the distinguished Senator from Missouri without losing my right to the floor.

Mr. DANFORTH, Mr. President, I ask unanimous consent that Allen Moore and Nancy Altman of my staff have the privileges of the floor during the proceedings on this bill and votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DANFORTH. Mr. President, will the Senator yield for some questions?

Mr. NELSON. Yes, I would be glad to yield.

Mr. DANFORTH. There is no doubt, is there, that whatever we do, whether it is the approach that the Committee on Finance has taken or the approach that Senator CURTIS has suggested, the combination of increases already programed in the law that is now on the books, and increases which we are going to vote on will be very substantial for State and local units of government?

Mr. NELSON. The Senator is absolutely correct. As a member of the Committee on Finance, he is well aware, having studied the question closely, that the fund is in dire need of money, and that as of now, as of this year, it will run a \$5.5 billion deficit; that is to say, there will be \$5.5 billion more paid out than coming in. Next year there will be another social security deficit of \$5.5 billion. The current law increases in social security liability plus those increases proposed in this bill, as well as all other proposals that I have studied—including the one adopted by the House—will have a substantial impact on all contributors to the social security fund. Employers and employees, municipalities, States, charitable organizations, universities and colleges, without exception, will have to pay more social security taxes.

Mr. DANFORTH. Unfortunately, there is no popular way to raise money, is there?

Mr. NELSON. If the Senator can think of a popular way to raise money, I would steal the idea right now and propose it.

Mr. DANFORTH. On the table the Senator has just referred to and had inserted in the RECORD, is it my understanding that the increase in social security liability reflected in this table is derived solely from the bill that is now before us or the alternative to the bill proposed by the Senator from Nebraska?

Mr. NELSON. That is correct. I think the two proposals they were looking at were Senator CURTIS' second proposal and the pending proposal. They were not looking at, if that is the Senator's question, the proposal made by the Senator from Missouri reflecting the refundable tax credit.

Mr. DANFORTH. No, that was not the question I was asking. My point is that already in the law, even if we were to do absolutely nothing, there are very considerable increases in both social security tax rates and the base, and if we did absolutely nothing those programed increases for future years are in the law and would, in fact, be realized over a period of time.

Mr. NELSON. That is correct. As a matter of fact, the payroll tax increases and the wage base increases in the pending legislation are relatively small compared to what is already in the present law.

In fact, the present law requires that the wage base increase automatically on a formula, as the Senator knows. Next year, it will increase from \$16,600 to \$17,500, and it is projected to increase to \$71,000-plus in the year 2001.

All this bill adds to employees' taxable wage base is another \$2,400, as does the proposal of the Senator from Nebraska.

So the Senator is correct, the amount of the increase in payroll taxes and the taxable earnings base in the pending legislation, and in the legislation that has been suggested by the Senator from Nebraska, is relatively modest compared to those increases which are currently established in the law.

Each of the proposals raising additional income—the proposal by the Sena-

tor from Nebraska, the House proposal and the proposal now before the Senate—was simply aimed at eliminating the projected deficits in the social security cash benefits programs.

Each proposal I have looked at does that very well. Senator CURTIS' proposals are in balance all the way to the year 2050. The proposal that is pending here, the proposal the Committee on Finance reported to the full Senate, based on the social security trustees' intermediate economic and demographic assumptions, keeps the fund in balance to the year 2050, with a slight surplus of 0.06 percent of payroll in fact. The House bill does not go that far; it leaves a deficit of 1.6 percent of taxable payroll, as an average, in each of the next 75 years.

Mr. DANFORTH. Referring to the table for a moment, take the first figure here, which happens to be Anchorage, Alaska. Where it says on this chart that the percentage increase for Anchorage, Alaska, under the Nelson proposal, which is the committee proposal, would be 15.2 percent, and under the Curtis plan would be 7.5 percent, those are increases that would result solely from what we are about to do, and they would be increases, as I understand it, over and above the considerably larger increases that are already in the law.

Mr. NELSON. That is correct.

Mr. DANFORTH. Is it also fair to say in addition to municipalities, school districts, not-for-profit organizations, schools, colleges, universities, hospitals, charitable organizations, and the like, are also going to incur a very substantial increase in social security tax liability?

Mr. NELSON. Exactly the same increase as every private employer in this country will experience.

Mr. DANFORTH. With the exception that whereas a profitmaking employer can recoup 48 percent, if it is a corporation making over \$50,000 a year, 48 percent from the general revenue because his social security taxes paid are deductible from Federal income taxes, a not-for-profit organization not paying income taxes, therefore, would not have the deduction available, and the effect of a social security tax increase on that group of employers would be roughly twice as great.

Mr. NELSON. Yes. Let me say, however, that this argument really does not stand up too well under analysis because these categories of employers do not pay Federal income taxes. The reason that State and local governments, colleges and universities, and other non-profit organizations cannot deduct increases in social security is because they do not pay any Federal taxes against which they can take a deduction.

If you went to any foundation in America, if you went to any charitable organization, State or local government, or if you went to any private college and said to them, "We are going to give you the same break that General Motors and other private employers get. You pay taxes on your income and we will allow you to deduct from your taxes your business expenses, including social security," they would all say, "No."

On the other hand, if you walked over

to General Motors or General Electric or any other private employer and said, "We will give you the tax break that we give to all the charitable organizations, all the private colleges, and all the foundations. If you would like this tax treatment, you do not have to pay taxes, but you will also not be able to write off your social security tax from your overhead," they would all agree immediately.

Mr. DANFORTH. It is true, however, is it not, that despite the fact that, say, New York City does not pay Federal income taxes, it has for some time been in a very precarious financial situation?

Mr. NELSON. I do not think anybody denies that.

Mr. DANFORTH. And it is true, is it not, that Buffalo, N.Y., despite the fact that it does not pay Federal income taxes, is in a very precarious financial situation? And it is true further that the Toledo, Ohio, school district, despite the fact that it does not pay Federal income taxes, is in a very precarious financial situation, and so are many colleges, many hospitals—

Mr. NELSON. May I interrupt the Senator a moment? I do not know how Toledo gets into the picture. They may be in very serious trouble with their pension plan, but they do not have social security, so they do not come under the provisions of this bill.

Mr. DANFORTH. They were some of the smart public officials who did not exercise the option to get in or to get out.

Mr. NELSON. What is the point of the argument of mentioning Toledo, when they are not covered by social security in the first place?

Mr. DANFORTH. But the Senator would not contest, would he, that a number of school districts, municipalities, and other not-for-profit organizations are operating on a thin margin?

Mr. NELSON. I would be glad to concede that, and I know that the distinguished Senator from Missouri would also concede that there are many millions of employers in this country who are on a thin margin also, and some who are losing money; so whatever the Senator says about these nonprofits applies with equal force to many other employers. I am sure several millions, who are not making much of a profit or no profit. So, yes, that is true.

Mr. DANFORTH. My point is simply this, and I will make it at greater length later on, and then let the Senator move on with his comments, and I apologize for interrupting him at such length: My point is simply that for this group of employers, not-for-profit employers, school districts, State and local governments, they will be facing, between last year's social security tax liability and the tax liability 10 years from now, a 227-percent increase in their social security tax liability, only a small fraction of which will be derived from what we are doing in this bill, and that, unlike profit-making employers, they do not have the possibility of recouping approximately 48 percent of their social security tax liability from the general fund, from the Treasury, by way of income tax deductions.

Mr. NELSON. Yes. May I ask a question for clarification? Is that figure, the 227-percent increase, a dollar increase 10 years from now, above what the cost is now?

Mr. DANFORTH. In 1976, last year, the social security tax liability for State and local governments and not-for-profit organizations, in the aggregate, was \$6.6 billion. In 1987, 10 years from now, it is programmed to be, under the bill now before us, \$21.6 billion, which would be an increase of 227 percent.

Mr. NELSON. I thank the Senator for clarifying the record on that. What one has to keep one's eye on is that cost-of-living increases—inflation—plays some funny games.

The fact of the matter is that the average employee will probably be paying two, three, or four times as many dollars in social security a few years down the line than now; but those are inflated dollars, one must keep in mind. I will get the figure for the Record. I would simply point out that about every 14 years the average salary doubles. So if you go out 14 years, and then 20 years, and beyond, pretty soon you have people paying five times as much social security, but they are getting six times as much income, and it presents a rather confusing distortion to the situation.

Incomes will be over \$100,000 sometime between the years 2010 and 2020, for the average worker in the country. So to say that the average employee in the country would be paying \$5,000, or \$10,000, in social security would shock you, until you realize what inflation is doing to his income and will continue to do, unless inflation stops. Mr. President, no one anticipates that inflation will stop, although we all dearly hope that it will slow up.

In 1977, the worker earning the average wage was earning \$10,001. These figures are projected by the economists based on assumptions of increasing inflation and other factors. In 1980, the average wage, according to their figures, will be \$12,486. By the year 2000, 23 years from now, the average wage, instead of being \$10,001, will be \$38,512. Continuing the same projection, in the year 2050 the average income worker will be receiving \$630,395.

(Mr. McGOVERN assumed the chair.)

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. NELSON. Yes.

Mr. CURTIS. How much of that increase is real increase, and how much is inflation, and upon whose authority can we rely that the inflation will not be any more than that?

Mr. NELSON. These are the figures of the social security actuaries. We asked for them because we recognized that dollar figures would be used, and if you were talking about an average employee, say, with an income of \$10,000, paying whatever he pays now in social security and then all of a sudden he is going to be paying six times as much some time in the future, it is not six times as much in real dollars.

I ask unanimous consent that the chart to which I have referred be printed in the Record at this point.

There being no objection, the chart was ordered to be printed in the Record, as follows:

PROJECTIONS OF EARNINGS OF DIFFERENT WORKERS

	Worker earning average wage	Social security earnings base	\$15,000 earner	Average wage in 1977 prices
1977----	\$10,001	\$16,500	\$15,000	\$10,001
1980----	12,486	20,400	19,267	10,745
1985----	16,649	27,900	24,571	11,766
1990----	22,019	39,900	33,025	12,787
2000----	38,512	69,900	57,762	15,115
2010----	67,512	122,100	101,258	17,893
2020----	117,815	213,600	176,705	21,095
2030----	206,065	373,500	309,067	24,926
2040----	360,420	653,100	540,576	29,451
2050----	630,395	1,142,400	945,498	34,800

NOTES

1. The "average wage" shown here is the "1st quarter annualized average." That is, it is total social security wages in the 1st quarter of the year divided by the number of workers in the 1st quarter, the result multiplied by 4. Since almost nobody reaches the earnings base in the 1st quarter, this procedure provides a reasonable estimate of average total (nontaxable as well as taxable) earnings. This is the wage which is used to compute the replacement rate of the average worker in all the decoupling tables. It is also the wage we used to compute tax payments for the average worker.

2. The earnings bases are those produced by the Finance Committee plan. Figures for years after 1990 are approximate.

3. All projections use the alternative II assumptions contained in the 1977 trustee's report. After 1981, wages are assumed to grow at 5.75 percent per year. This is the assumption set that all of the short- and long-range cost estimates made this year have been based upon.

Mr. HARRY F. BYRD, JR. Mr. President, will the Senator from Wisconsin yield before he gives the chart away?

Mr. NELSON. Yes.

Mr. HARRY F. BYRD, JR. I was somewhat startled at the figures just stated by the Senator from Wisconsin. I am not sure whether I caught the full import of them. Would the Senator from Wisconsin mind restating that situation?

Mr. NELSON. The actuaries of the social security system took the 1977 average wage, which is \$10,001 nationwide. They used this figure, and assumed that all wages would increase at the rate of 5.75 percent a year.

This is the assumption that all of the short- and long-range cost estimates in the 1977 Social Security Trustees' report have been based upon. So, of course, it might be 6 percent, or it might be 4 percent. Why they are using 5.75 percent, I have no notion.

Using these assumptions you go, from year to year, from a 1977 average wage of \$10,001 to an average wage in the year 2000 of \$38,512, to an average wage in the year 2050 of \$630,395.

I only make that point because, I repeat, I am sure that figures will be tossed around here showing how huge the dollar figures will be. Beginning in the year 2000, the average worker, then earning \$38,000, can more easily pay three times as much social security as he does now on \$10,000.

Mr. HARRY F. BYRD, JR. If the Senator will yield, those figures dramatize just what inflation is doing to this country. A 5.5-percent inflation, which the figures are based upon, would lead the Senator from Virginia to believe those figures are probably low, that it will be much greater than the average indicated by the Senator.

Mr. NELSON. I hope not. Historically, they have not been. One of the problems with the current law is that they made

some assumptions back in 1971 and 1972 based upon a lower rate of inflation, but an inflation rate which seemed to be correct for the future, because it had been projected upon the past. Suddenly, as the Senator knows, we got into a situation that this country had never been in before, that is to say, a very high inflation rate and a very high unemployment rate at the same time. Usually, if there is high unemployment, there is low inflation.

The Senate Finance Committee bill corrects the so-called double indexing problem in the current law.

If the Senator is correct, the figures are low. But I would point out to the Senator that I can recall when I was going to college in the 1930's. I worked for 22.5 cents per hour. The minimum wage in a couple of years is going to be \$3. That is 15 times as much as I earned. We did not have a minimum then, and there were people making less than I was.

If we apply \$10,000 times 15, we are at \$150,000. That has already happened at a low rate of inflation.

Mr. HARRY F. BYRD, JR. The rate of inflation has occurred since 1972.

Mr. NELSON. That is when the great inflation rate started. Everybody misjudged it. That is why we should not pay too much attention to what the economists say, but instead, rely upon the Senator's good judgment and opinion.

Mr. ALLEN. Will the Senator yield?

Mr. NELSON. Yes, I will yield for a question.

Mr. ALLEN. Would it be convenient for the Senator to answer several questions at this time?

Mr. NELSON. If I am able to answer, I will be happy to answer.

Mr. ALLEN. Earlier today I engaged in a colloquy with the distinguished majority leader concerning the necessity for action at this time on the social security amendments. It seems with the social security amendments and the energy taxes combined, Congress is embarking on the largest peacetime and possibly even wartime increase in taxes in the history of this country. With this tremendous tax increase in the offing, I just wonder why it is necessary to act at this time before we even have a report from the committee in our hands, explaining just what the bill does, and that is how I would class the action we are embarking upon now—why emergency action is needed.

In pursuance of that assessment, I would like to inquire of the distinguished floor manager as to the amount of money now in the social security fund.

Mr. NELSON. I will see if we have that information with us. As I said earlier, the current projection is that the fund will have an outgo over income of about \$5.5 billion in 1977, and a little more than that in 1978.

Mr. ALLEN. Apparently, to go on, the fund is being depleted at this time, and I am sure that depletions will escalate over the years. It is being depleted around \$6 billion. Yet I would feel there is available in the fund far in excess—does the Senator now have the figure?

Mr. NELSON. We have found the figures here, yes.

Mr. ALLEN. I will not hazard a guess if the Senator now has the figure as to the amount now in the fund.

Mr. NELSON. At the end of 1976 there was \$41.1 billion in the fund. That year showed an outgo in excess of income of \$3.2 billion.

In 1977, the projection is that there will be \$35.5 billion in the fund, which will show, for this year, an estimated outgo over income of \$5.6 billion.

In 1978, the estimate is \$28 billion in the fund, with an outgo over income of \$6.9 billion.

In the year 1979, \$20.7 billion in the fund with an outgo of \$7.9 billion over income.

In the year 1980, \$11.6 billion in the fund with an outgo of \$9.1 billion in excess of revenues.

At the end of the year 1981, \$10 billion in the fund with an outgo of \$11.5 billion in excess of revenues.

So it will go from a balance of \$41 billion at the end of 1976 to a balance of \$10 billion at the end of 1981 if we do not provide additional funding.

The proposal before us does provide all the necessary funding plus an "adequate balance," depending upon what an adequate balance is.

Mr. ALLEN. Then with some \$35 to \$40 billion on hand now, and at the current rate of depletion, it would completely cover the matter of about \$1.5 billion if this matter is carried over for 3 months. Is that a fair statement?

Mr. NELSON. By how much?

Mr. ALLEN. \$1.5 billion.

Mr. NELSON. That might be so.

Mr. ALLEN. That would be 3 months, one-fourth of \$6 billion. It would be somewhere in the neighborhood of \$1.5 billion as a further depletion.

It just seems to me that there is no great emergency here when we are seeking to add tens of billions if in fact not hundreds of billions of dollars to the tax load of the American workers.

That leads me to my second question I would like to ask the distinguished manager of the bill. I believe these figures are computed for the next 9 or 10 years, is that not correct, to 1986?

Mr. NELSON. Which figures? Which figures is the Senator talking about?

Mr. ALLEN. The figures of the added taxes. They are figured on to the year 2000, I believe, when they increased rates.

Mr. NELSON. The bill does contemplate the necessary increases in tax base for the employers and employees, and tax rates to carry social security to the year 2050.

Mr. ALLEN. I am not talking about tax rate or tax bases. What I would like to know is, over the next 10 years, how much increased taxes will be levied upon employers and employees under, first, the House bill, and, second, the Senate bill, over the amount of taxes now being levied on the American workers? How much will the bills bring in?

Mr. NELSON. The Senator is saying how much taxes are levied on the employer—

Mr. ALLEN. How much additional.

Mr. NELSON. In the House and Senate bill in excess of what are levied now.

Mr. ALLEN. To put it more simply, how much more money will the proposed legislation, both House and Senate, bring into the Treasury than would be brought in under current rates?

Mr. NELSON. Between 1979 and 1983, \$72.2 billion in additional revenues will be brought into the fund by the Senate Finance Committee bill over what would be brought into the fund under the current law. Present social security law has built-in wage base and tax rate increases already in it.

Mr. ALLEN. So \$73 billion—

Mr. NELSON. \$72.2 billion.

Mr. ALLEN. I misunderstood.

Mr. NELSON. If the Senator is going to round it off, round it off at \$72 billion.

Mr. ALLEN. Well, \$72 billion over the next 5 years, is that correct?

Mr. NELSON. From 1979 to 1983. Well, it is from right now to 1983; the first tax rate increase over and above the current law does not become effective until January 1979.

Mr. ALLEN. Would it be 6 years, then?

Mr. NELSON. Between now and 1983, it is \$72.2 billion over what the current law would bring in. But this current proposal does not levy any additional taxes over current law effective prior to January 1, 1979.

Mr. ALLEN. Yes; but it would be \$72 billion over—is it a 5- or 6-year period?

Mr. NELSON. It would be during a 6-year period.

Mr. ALLEN. Well, I shall not argue that.

That will be \$12 billion a year, then, additional taxes. Is that right?

Mr. NELSON. It is very close, within \$200 million.

Mr. ALLEN. That is under the Senate bill?

Mr. NELSON. That is correct.

Mr. ALLEN. How much would come in under the House bill?

Mr. NELSON. The House bill raises about the same amount as the Senate bill. All of the bills are raising revenues by escalating the taxable wage base on both sides, although in different ways, and tax rates, but they raise about the same amount of money. The Senator from Nebraska is here to speak for himself. My recollection is that his proposal would raise about the same amount, too.

Mr. CURTIS. None of them goes into effect this year. So far as delay until January, I do not think the fund would lose anything.

Mr. ALLEN. If it will not go into effect until next year, then it would really just be 5 years, I assume.

Does not, then, the collection of taxes greatly escalate beyond that 5-year period? Could the Senator give the estimate on the next 5-year period of additional taxes over current law?

Mr. NELSON. The actuary did not provide us the dollar figures for the next 10 years. We have the actual tax rate and wage base increases, but not the dollar figures.

I might say to the Senator that I regret that we do not have these other

figures. There are a number of other figures that I would like to have, but over the past 2 or 3 weeks, the computers and the statisticians have been working with the House. My limited staff has been making its requests and some of the things we would like to have, we do not have, though we believe we have the vital statistics that are necessary for anyone to consider this bill. We shall get the additional dollar figures beyond 1985.

Mr. ALLEN. Would it be possible, then, during the day, to get the costs—that is, the additional tax—over the next 5 years?

Mr. NELSON. We have the additional taxes—

Mr. ALLEN. The additional costs, then.

Mr. NELSON. The additional dollars over the next 5 years?

Mr. ALLEN. Yes.

Mr. NELSON. Raised by the additional social security taxes, or raised as a consequence of current law, plus additional taxes?

Mr. ALLEN. No, sir, I believe the Senator stated the other was the amount of additional taxes over current law and current provided-for increases?

Mr. NELSON. That is correct. That is the figure the Senator wants?

Mr. ALLEN. Yes, that is the figure I want. I would hazard a guess that that will escalate to where twice the additional taxes will be levied, based on increases plus additional taxes, plus the inflation that can be looked for in that time.

Mr. NELSON. I do not know what the figure would be, but the Senator is correct: It will be, in dollar figures in the next 5 years, much more because of inflation and increases in the taxable wage base and an increase in tax rates.

Mr. ALLEN. One other question arises from the chart the Senator put in a moment ago. I believe that he said that around the year 2000, a worker who had made \$10,000 a year would be receiving \$630,000?

Mr. NELSON. No.

Mr. ALLEN. What was that figure suggested?

Mr. NELSON. The average salary today is \$10,001 a year, for the year 1977. In the year 2000, projected upon the assumptions used by the social security trustees of a 5.75 percent per year increase in wages, it would put the average worker at \$38,512 in the year 2000.

Mr. ALLEN. What is the \$630,000?

Mr. NELSON. In the year 2050, using the same projections, that salary rises, as the Senator can see, exponentially to \$630,395.

Mr. ALLEN. Is that the salary he would be receiving or the social security benefit?

Mr. NELSON. That would be the average wage, the nationwide average wage.

Mr. ALLEN. Does the Senator not think it might be well to wait until the average worker is making that kind of money before he levies this tremendous tax on them? They are not making that kind of money now.

Mr. NELSON. I say to the distinguished Senator from Alabama, that is what we did. We increased the tax rate in the year 2000, and increased the tax rate in the year 2011. If the Senator is

still around in 2011, I shall leave it up to him to defend that rate in that year.

Mr. ALLEN. But they are also increased starting next year. That is putting a heavy load on the worker and the employer.

Mr. NELSON. I understand that. I have, only twice in my whole career, had to make a vigorous fight for an increase in taxes. The other time was about 16 years ago and it very nearly drove me out of office, and this one may. But the fact is we have to have the revenues to finance social security.

We have two choices. The first one Congress will never accept and neither would the Senator from Alabama, in which we let the funding go bankrupt. That is not even under consideration, and never has been.

There is another way to do it. That is to use price indexing instead of wage indexing, which means that we, at a much lower tax, can keep the fund sound. But each succeeding year, the average replacement rate—that is, what the average person will get back as a percentage of his lifetime wages—will go down from what it is in this bill, 43 percent—down, down, down,—until it gets down to 26 percent in 2050, because of all the other factors and inflation. However, even price indexing would not solve the short-range deficits confronting social security.

So, if the Congress were to make a decision, and that is what the public wanted, we would not have to raise social security taxes or wage bases nearly so high in the future if, in fact, when people retire, they were going to have an average retirement of 26 percent of their final earnings as a benefit rather than an average of 43 percent. That way, we could avoid future taxes.

Professor Hsiao recommended price indexing. He testified before the Finance Committee in favor of this approach. I do not agree with him. A replacement rate of 26 percent would be totally inadequate for the average person to retire upon, whereas 43 percent may be within the ball park as what one can live on adequately, considering that social security benefits are indexed for inflation after retirement, so that the beneficiary does not lose purchasing power.

Mr. ALLEN. Does the Senator feel the urgency and the critical nature of the social security fund warrants such speedy action as is taking place with respect to the passage of this bill?

(Mr. GRAVEL assumed the Chair.)

Mr. NELSON. Each individual, I suppose, has his own barometer for what he might consider a state of emergency.

As of 6 or 7 years ago, it was the policy to attempt to maintain the social security trust funds at never below 75 percent of 1 year's payout and not in excess of 125 percent.

That was thought to be enough flexibility so that if we ran into some economic situation—which we did, high unemployment, high inflation, an unanticipated change in the fertility rate—the trust funds would continue to be solvent.

We are now paying out a little less than \$90 billion a year; 1.25 times that amount would peg the trust funds at around \$125 billion.

There were people who thought that was not enough.

Now, on that precise point, the social security trust funds are down to \$41 billion, which as of 6 or 7 years ago, I think would upset most people. So how much below that do we want to go before we start acting?

There is another factor, I might say to the Senator, that he is as well aware of as is every Member of the Senate and the House. Perhaps I have received a little bit more mail, because I have been working on this bill than I would otherwise have from my constituents, because they see it in the paper, but from talking to Members, I note all of them are receiving mail from people who sincerely are concerned that the fund is not going to be solvent when they retire.

I have gotten some very serious mail saying, "We don't trust you elected officials at all and I have paid money into social security for years and I know that 10 years from now, 5 or 20 years from now, there'll be no money there."

They mean it. They are sincere. They are concerned because, after all, when one reaches retirement age, cannot work any more, where does his money come from?

So we have all kinds of people who are retired—22 million Americans—who also are concerned. I think it is very important to them to settle the question as to the security of the fund as soon as possible.

I think it is very important to act on social security financing legislation this year. The House has passed a bill. The Senate Finance Committee has reported a bill to the Senate. I think it is important that the headlines do not read, "Senate postpones action on social security," because there are 104 million people paying into the social security fund, 33 million people drawing benefits from the social security fund, and all kinds of them worrying whether or not we are really going to settle the issue of the security of the fund.

Now, there are no warrants around here. We can increase the wage base tax equally or not increase the base at all. We can have a combination, increasing the base and increasing the taxes together. We can have a higher taxable wage base on the employer than the wage base on the employee, plus payroll tax increases. That is about all of the combinations we have got.

Some people prefer one approach and some another.

But I think it is awfully important to assure people that this issue is now settled for their lifetime—at least for another 75 years.

Mr. ALLEN. If the Senator will yield, on these mailings the Senator has gotten by those who are wondering about the security of the fund, I would hazard a guess that very few of those writers suggested raising their taxes in order to make the fund sound, did they?

Mr. NELSON. I have, in 30 years in politics, yet to receive a letter from a constituent demanding an increase in taxes. When I get that one—I was going to say I would retire, but I know some-

body out there would send one in to me, so I will not—I shall frame it.

Mr. ALLEN. The Senator mentioned that he felt there would be considerable alarm and frustration and other conditions of that sort if they read in the paper that the Senate postpones action on the social security bill.

I wonder if that would upset them more than the headline saying, "Senate adds \$12 billion in additional taxes on the American worker and employee."

Which does the Senator think would shock them more?

Mr. NELSON. Well, if we got right down to the end of the gangplank and we said to them, "Do you want to have no social security fund or do you want to pay some more taxes and be protected," I have no doubt they will say, "We'll pay the taxes."

I do not think the Senator from Alabama would find otherwise.

Mr. CURTIS. Will the Senator yield to me at that point?

Mr. ALLEN. I thank the distinguished Senator. I appreciate that.

Mr. CURTIS. Would the Senator yield to me at that point? I would like to ask a question.

Mr. NELSON. I yield to the Senator, without losing my right to the floor.

Mr. CURTIS. I thank my distinguished friend.

I believe that the greatest shock that could come to the American people would be a continuing fear that the Congress would not grapple with this problem and come up with an answer that would set their fears at rest, the fears of the people who are now retired, those who are about to retire, as well as the younger person.

I am also convinced that if the American people were asked, and it is difficult to state any questionnaire truly objectively, but I believe if they were asked, "Is it necessary to raise some taxes to make good on the commitments everybody has relied on?" I do not think there is any question but what they would stand up and take their medicine and say, "Let's have it."

I thank my distinguished friend for yielding and I commend him on his answer, while nobody likes taxes and nobody likes an increase, I think the sentiment of the American people is that they do not want commitments made in the social security field to be defeated.

I thank my distinguished friend for yielding.

Mr. HOLLINGS. Will the Senator yield so that we might make a record and perhaps get an understanding with respect to the budget resolution and the impact on the budget of certain amendments which may be presented?

As the manager of the bill knows, we are here as a result of a formal resolution filed by the Finance Committee and approved by the Budget Committee with respect to H.R. 5322 and two Curtis amendments.

I thought it may be well at the initial stage—we have somewhat passed the initial stage—but I thought it may be well to point out the fact that the Budget Committee is trying their level best to

hold certain budget procedures in place with respect to the overall good of the budget process and the intent of the Senate, on the one hand, and take care of the social security problem on the other.

As the distinguished manager of the bill know, the Budget Committee, for the past couple of years, has been admonishing the responsible committees to come forward with some kind of legislation to make fiscally sound our social security system.

In the second concurrent resolution, in making the same admonition, we cautioned against the impact of increased taxes during fiscal year 1978 as a result of the recovery.

On September 13, when we enacted the second concurrent resolution, we said, "Let not those taxes fall during this particular fiscal year, as being very destructive and deteriorative of the economic comeback we are all trying to support."

The Finance Committee has brought the social security bill to the floor; but in so doing, on yesterday, as the Senator knows, they asked in a formal resolution for a waiver not only for the social security bill itself, but also, with five proposed amendments, some dealing with proposed tax credits and others dealing with the phaseout of outside earning limitation, and the Budget Committee was not allowed to amend the resolution.

We acceded on last evening and conferred with the Finance Committee chairman and the leadership. As a result of that conference, the Finance Committee presented an amended resolution, stating at the time that they are only asking for a waiver of the particular bill that is now before us and two amendments by Senator CURTIS which have been approved.

Upon inquiring at that time about the disposition of the Danforth amendment and the Nelson amendment and the others dealing with refundable tax credits, we were told by the distinguished chairman of the Finance Committee that they were going to be modified, so as not to comprise really refundable tax credits. It was stated that rather than nontax paying charitable institutions being taxed at the same rate and the money then being refunded, the Senator from Wisconsin was going to diminish the tax rate or impact as concerns those institutions. A tax credit is particularly in the purview of the Budget Committee. It is within the Finance Committee, and no waiver is necessary.

Similarly, the Senator from Missouri (Mr. DANFORTH) explained that rather than appearing to tax at the same rate and then refund, he was going to diminish the rate of tax impact upon those particular institutions.

We have that first resolution still referred to us, and we are trying to act in good faith with the Finance Committee. We have no formal resolution, but the Senator from Kansas (Mr. DOLE) is a member of both the Finance Committee and the Budget Committee, and he is very much concerned about his amendment.

We understand that the Senator from Texas has an amendment, and there are

other amendments. We are trying to be consistent and fair.

Perhaps one principal purpose in trying to get an understanding with the distinguished manager of the bill at this time is that if we in the Budget Committee could see them in a group sometime today, we could act as we have with the Finance Committee, one way or the other.

I know that the Senator from Wisconsin cannot tell when a Senator is going to call up an amendment, but I have been seated here all morning, trying to respond to the requirements of the Budget Committee and the distinguished chairman. Senator MUSKIE, who is ill at the present moment. However, I would hate to have to sit here all day and wonder. I wonder whether we can reach some understanding so that we can handle those amendments that would require a waiver.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. HOLLINGS. I yield.

Mr. CURTIS. Does the Budget Committee have any concern or any obstacle with respect to approving an amendment that does not call for increased expenditures of any sort?

Mr. HOLLINGS. Or increased budget authority.

Mr. CURTIS. By any method. Suppose there is an amendment that does not affect the outgo of the fund in any manner. Does the Senator have a concern about those amendments?

Mr. HOLLINGS. Generally, no, if it is a tax credit. That is a permissible amendment, and that is what we are dealing with, and that is what is on the floor.

Mr. CURTIS. I am trying to find out whether or not the Budget Committee is interposing any objection to amendments that might be offered that in no way diminish the fund, either by a credit or an authorization or an appropriation or a benefit paid. To say it another way, the Budget Committee's concern is primarily with those proposals that cost the fund money.

Mr. HOLLINGS. They do not just cost money. What they really do is delay the impact to ensuing fiscal years beyond the present fiscal year, 1978. When it takes effect in 1979, we have not had the opportunity to look at its impact with respect to the entire budget for fiscal year 1979. We have not enacted, for example, the first concurrent resolution, and that has reference to section 303(a) of the Budget Act.

Mr. CURTIS. I am directing my question to those types of amendments that do not now or in any future year increase the expenditures or the obligations of the fund. Does the Budget Committee have any concern about those?

Mr. HOLLINGS. I have tried to emphasize the fact that new spending authority may be granted.

Mr. CURTIS. No; I am excluding anything that possibly could cost—

Mr. HOLLINGS. If spending authority amends the bill in the form of a tax credit, it may not be subject to the point of order.

Mr. NELSON. Is the Budget Commit-

tee concerned about a levy of increased taxes?

Mr. CURTIS. That is my next question.

Mr. HOLLINGS. We granted a waiver for the levy of increased taxes beyond fiscal 1978, and that is what the waiver refers to.

Mr. CURTIS. What I want to know is this: By what authority do we have to get a waiver to increase taxes?

Mr. HOLLINGS. Because it affects fiscal year 1979, without the enactment of the first concurrent resolution.

Section 303(a) says that it shall not be in order, in either House, to introduce or consider any bill or resolution which provides new budget authority for a fiscal year, an increase or decrease in revenues to become effective during the fiscal year, an increase or decrease in the public debt limit to become effective during the fiscal year, or new entitlement spending authority, until the adoption of the first concurrent resolution on the budget for that fiscal year.

Mr. CURTIS. I always had the idea that the prime responsibility of the Budget Committee was to hold down expenditures, to balance the budget. For the life of me, if somebody wants to help in that task, I do not know why there would be any opposition.

Mr. McCLURE. Mr. President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. McCLURE. I think the Senator may be correct in saying that that is the prime concern of the Budget Committee, to get control of budgetary expenditures. I suspect that most people were looking at the size of the deficit and whether or not we had a balanced budget when we did that. But the Budget Act does more than that, too. It requires the Budget Committee to look at the economic effects of congressional actions, so we determine what the total effect of Federal Government expenditures may be. That is one of the reasons why we get into such things as loan guarantee programs that will have an economic effect, although there is no direct expenditure on the part of the Government. We need to be more involved in that than we have been.

However, I think it would be incorrect to say that the Budget Committee just deals with the size of the budget or the size of the budget deficit.

Mr. HOLLINGS. The Budget Act makes us responsible in every regard, not only for budget authority, not only for outlays, but also for what are called tax credits or revenues—all four, every phase of that budget.

Mr. CURTIS. I appreciate the fact that the Budget Committee waived my amendment, because I want to help the Budget Committee. If we meet this obligation that we have toward the social security fund, it will not only improve the social security fund but also will improve our position in the unified budget.

I appreciate the waiver.

I thank my distinguished friend for yielding.

Mr. HATFIELD. Mr. President, will the Senator yield?

Mr. HOLLINGS. There is a modification, I say to the Senator from Nebraska

and Senator from Oregon. For example, with respect to the Roth amendment, we discussed that modification because it was presented to us in the form of a resolution from the Finance Committee. In the first year, fiscal year 1978 there is an impact of \$175 million in the level already approved in the second concurrent resolution. If the Roth amendment only applied to 1978 it would be permissible and not require that waiver. But since it impacts upon ensuing fiscal years, getting up by 1982 to a \$2.3 billion spending program, then section 303(a) applies and a waiver is needed.

So, depending on the subject of the amendment itself, as well as fiscal years that it affects it is the Budget Committee's responsibility to make that kind of ruling.

Excuse me. I yield to the Senator from Oregon.

Mr. HATFIELD. Mr. President, will the Senator yield for a unanimous consent agreement?

Mr. HOLLINGS. I will yield the floor. Let me yield for a unanimous-consent agreement.

Mr. HATFIELD. Mr. President, I ask unanimous consent that Tom Getman, of my staff, be accorded the privilege of the floor during debate on this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. FORD. Mr. President, will the Senator yield to me for a unanimous-consent request?

Mr. HOLLINGS. I yield.

Mr. FORD. Mr. President, I ask unanimous consent that Donna Smith, of my staff, be accorded the privilege of the floor during debate and vote on this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HOLLINGS. Mr. President, I seek the attention of our distinguished friend and manager of the bill, Senator NELSON. If I could get the attention of the manager of the bill, will the Senator from Wisconsin in some measure try to correlate presentation of these amendments so that we will not be sitting here like a jack-in-the-box, jumping up and down on points of order? We are trying to work with the various staffs on the Dole amendment and the Tower amendment. If he will correlate them and determine whether or not they request a waiver of section 303(a) in a formal resolution, and if there are other amendments, and I am sure there are many, as the Senator from Nebraska has indicated, that are not subject to any budget resolutions or inhibitions, then we could proceed in that fashion.

Mr. METZENBAUM. Mr. President, will the Senator yield for a unanimous-consent requests?

Mr. HOLLINGS. I yield.

Mr. METZENBAUM. Mr. President, I ask unanimous consent that Marc Asch, of my staff, be accorded the privilege of the floor during consideration of this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. METZENBAUM. I thank the Senator.

Mr. HOLLINGS. Mr. President, I take

it that other Senators have far more interesting requests.

Mr. NELSON. I was just agreeing on another amendment.

Mr. HOLLINGS. Yes.

Mr. NELSON. Mr. President, I do not know what amendments are pending.

Mr. HOLLINGS. I see.

Mr. NELSON. I am only familiar with the amendments that were raised in the Finance Committee involving Senator DANFORTH and Senator CURTIS, as well as other amendments the Senator has mentioned.

I wish to cooperate. We may be able to get a unanimous-consent agreement at some stage in which we would agree upon the order of taking up some of these amendments.

Mr. HOLLINGS. Yes. That would be the prerogative of the manager of the bill. That would not be necessary except that I wish to be protected by unanimous-consent agreement rather than just sitting here. We are not trying to order the proceedings but let us look at the Senator's own amendment. As I understand it that has been modified, is that right?

Mr. NELSON. That is actually in the committee bill.

Mr. HOLLINGS. That is taken care of in the committee bill?

Mr. NELSON. That has the so-called refund, and so forth. It is now just an authorization. It is not a refundable tax credit.

Mr. HOLLINGS. It is not in budget authority so it is taken care of in the bill?

Mr. NELSON. That is taken care of in the bill.

Mr. HOLLINGS. All right.

Mr. NELSON. I do not know where the Budget Committee stands with respect to Senator DANFORTH's amendment and Senator DOLE's amendment, which are not in the bill, or Senator CURTIS' amendment.

Has that been settled?

Mr. HOLLINGS. No. That is the point. It is not settled and apparently at this time we would have to raise points of order against those amendments. We are trying to cooperate with the managers of the bill and the leadership in expediting action on the social security bill within the confines that the Senate knows and our Budget Committee knows the fiscal impact of these various amendments. In essence, we really do not act until someone presents us a resolution asking for a waiver. I am not sure, but the Senator from Kansas may have prepared one. I think he was preparing one since we discussed it in the committee earlier this morning. We were also wondering about the Senator from Texas and some of the others. But we will work with the Senator's staff and see if we cannot facilitate the movement and treatment of these amendments that may require a waiver.

What the Budget Committee will do I am not sure.

Mr. NELSON. I have no notion what amendments might be raised other than those we know about. I think the Senator from Kansas may want to say something in a moment. But is the Senator suggesting someone may call up an

amendment? I am no expert on the technicalities of what has to pass through the Budget Committee as a resolution. Would the Senator desire that the manager of the bill ask for a quorum call whenever an amendment is called up?

Mr. HOLLINGS. If the Senator does not mind, something along that order would be appropriate at this time.

Mr. NELSON. I will be glad to do that.

Mr. HOLLINGS. I thank the Senator very much.

Mr. NELSON. If the Senator from South Carolina will yield, the majority leader wishes to take up the budget resolution waiver.

Mr. ROBERT C. BYRD. The waiver that is at the desk.

Mr. HOLLINGS. I yield.

That is right. We can adopt that waiver.

Mr. BELLMON. Mr. President, I ask unanimous consent that Mr. Ed King of Senator BARTLETT's staff be granted floor privileges.

The PRESIDING OFFICER. Without objection, it is so ordered.

BUDGET ACT WAIVER

Mr. ROBERT C. BYRD. Mr. President, I believe consent was given to proceed with the budget waiver or waivers at any time in respect to the social security financing bill; is that correct?

The PRESIDING OFFICER. One has been reported.

Mr. ROBERT C. BYRD. Then, Mr. President, I ask that the Senate proceed to the consideration of the waiver at this time on Senate Resolution 315.

The PRESIDING OFFICER. The clerk will state the resolution by title.

The legislative clerk read as follows:

S. Res. 315, waiving section 303(c) of the Congressional Budget Act of 1974 with respect to the consideration of H.R. 5322, a bill providing additional financing for the social security system.

The Senate proceeded to consider the resolution.

The PRESIDING OFFICER. Under the law, there is a 1-hour time limit. Who yields time?

Mr. HOLLINGS. Mr. President, if I can, I will paraphrase the resolution of approval of the budget waiver with respect to H.R. 5322 and the Curtis amendments.

Section 303(a) of the Congressional Budget Act of 1974 provides that it shall not be in order in either the House or the Senate to consider any bill or resolution or any amendment thereto providing new budget authority, new spending authority, or changes in revenues or public debt for a fiscal year until the first concurrent resolution on the budget for such fiscal year has been adopted.

Mr. STONE. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. HOLLINGS. I yield.

Mr. STONE. I ask unanimous consent that Mary Repper, of my staff, have the privileges of the floor during the votes and debate on this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HOLLINGS. Since H.R. 5322 provides for an increase in revenues which would not become effective until fiscal 1979, a resolution waiving section 303(a) of the Budget Act with respect to consideration of this bill must be adopted before the bill can be considered by the Senate. The Committee on Finance has reported such a resolution seeking waiver of section 303 as it would otherwise apply to H.R. 5322 and certain amendments thereto. In reporting favorably on the resolution waiving section 303 of the Budget Act to H.R. 5322, the Budget Committee is recommending that the Senate proceed to full consideration of the bill but is not prejudging the merits of its provisions.

The primary purpose of this bill is to finance the severe short- and long-range deficits facing the social security trust funds. To meet these deficits, the Finance Committee elected to rely on a combination of lowering benefits and raising future social security payroll taxes. The committee flatly rejected a Carter proposal to use, for the first time, countercyclical grants to the trust funds from the general fund. The committee did accept, in modified form, another key Carter proposal under which employers will pay taxes on a higher level of wages than do employees. (Under present law employees and employers pay taxes on the same level of wages.)

The Budget Committee is extremely reluctant to recommend the adoption of resolutions waiving section 303(a) of the Budget Act. One of the major purposes of the Congressional Budget Act was to bring the Federal budget under better control. Through the adoption each year of the first and second concurrent resolutions on the budget, Congress sets fiscal policy and national priorities for the fiscal year.

If legislation affecting spending or revenues for a future fiscal year is considered prior to the adoption of the first concurrent resolution on the budget for that year, to that extent Congress loses control of the spending and priority decisions for that year prior to adoption of a congressional budget for that year. However, the Budget Act recognized that in some situations it may be appropriate to consider such legislation before the adoption of the first concurrent resolution.

Consideration of H.R. 5322 is consistent with the congressional budget which Congress enacted 1 month ago.

Congress specifically considered the matter of social security financing legislation in adopting that budget.

I ask unanimous consent that the paragraph with respect to the second concurrent resolution for the fiscal year budget 1978 on page 9; and also that the paragraph with respect to the second concurrent resolution for the year 1978 as reported to the Senate on page 18 be included for ready reference at this point in our presentation.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

The conference substitute provides no increase in budget authority for the social

security trust funds. It is unclear, at this time, whether any of several possible reforms will be adopted. The conferees recognize that a major problem exists in the financing of social security and urge that the responsible committees report legislation putting social security on a sound financial footing for both the short term and long term. It should be emphasized that the conference substitute does not assume an increase in social security taxes during fiscal year 1978, since the conferees believe that any major increase in such taxes could not be justified given the present state of the economy.

The recommended revenue floor does not assume any additional FY 1978 revenues from social security tax increases. While the Committee is concerned over the long-term solvency of the social security trust funds, the Committee believes it would be imprudent to impose additional taxes for 1978 since the trust funds will remain solvent in the coming year without any tax increase, and since raising payroll taxes in 1978 could retard significantly the continuing economic recovery.

Mr. HOLLINGS. The conference report accompanying the second budget resolution explicitly recognized the major financing problems of the social security system and urged "that the responsible committees report legislation putting social security on a sound financial footing for both the short term and long term."

The conferees, however, explicitly rejected any increase in social security taxes during fiscal year 1978 on the ground that "any major increase in such taxes could not be justified given the present state of the economy." Congress endorsed these recommendations of the budget conferees in enacting the second concurrent budget resolution. This Finance Committee bill is consistent with that judgment which Congress made in adopting the second budget resolution.

The Budget Committee has concluded that consideration of this bill is consistent with the congressional budget which Congress enacted 1 month ago.

Under these circumstances, the committee believes Senate consideration of H.R. 5322 is consistent with the congressional budget process and recommends that the resolution be adopted.

Mr. President, the Senate Budget Committee met this morning to consider resolutions reported by the Committee on Finance waiving important provisions of the Congressional Budget Act as they apply to the Finance Committee's social security financing proposal, and certain amendments which the Committee on Finance seeks to have considered in conjunction with that proposal.

The Budget Act was intended to give Congress control over Federal budget decisions. A vital part of that control depends on preserving future year budget choices against piecemeal legislation enacted before a congressional budget is adopted for such a future year.

To the extent today's decisions mortgage future year budget choices—without looking at all the needs that future year's budget resolutions will set before us—we lost control of Federal spending. And the growth, complexity, and uncontrollable cost of Government become inevitable.

The Budget Act provides a point of order to limit such piecemeal mortgag-

ing of our Nation's fiscal future. This point of order lies against legislation which provides new spending, taxes, or entitlements which become effective in a year until a congressional budget has been adopted for that year.

The Finance Committee's social security financing proposal and amendments proposed for consideration by the Finance Committee in connection with it, enact new taxes which will very significantly affect our Nation's economy and the budget, beginning a year from now in fiscal year 1979. Because these tax provisions mortgage next year's budget before any congressional budget resolution for that year has been adopted, they are subject to a point of order under the Budget Act.

The Budget Act also provides, however, that if a committee reports legislation which it believes is so important that we should mortgage future budget choices, it can report a resolution seeking to waive the Budget Act point of order which would otherwise lie against the bill. Such resolutions are referred to the Budget Committee. The Senate decides whether to open the door to this future mortgaging legislation by voting such resolutions after they are reported by the Budget Committee.

The Finance Committee has reported a resolution which waives application of the Budget Act point of order to taxes raised by the social security financing legislation. Originally, the Finance Committee requested five other waivers of the Budget Act point of order in the case of certain Finance Committee members' amendments which also mortgage future revenues or future spending decisions.

The Budget Committee met both yesterday and this morning to consider this series of waiver resolutions. Regrettably, no copy of the report on this legislation was available to us. We did not even have a cost estimate from the Committee on Finance as to one of the amendments sought to be cleared for Senate action through these waivers.

Nonetheless, we wanted to accommodate the leadership to the extent we could, consistent with our obligations under the Budget Act. After a meeting with Senator Long, the distinguished chairman of the Finance Committee, the committees agreed that the Finance Committee would report another resolution requesting waivers for only the bill and a substitute amendment from Senator CURTIS. So the Budget Committee has favorably reported the waiver resolution which clears for Senate consideration the social security financing bill and a substitute amendment to be offered to it by the ranking Republican member of the Finance Committee, Senator CURTIS.

The Budget Committee has strong reservations about the other waiver requests originally reported by the Finance Committee which would authorize consideration of very costly future mortgaging amendments.

Two of these amendments involve multibillion dollar refundable tax credits which are properly the jurisdiction of the Committee on Appropriations.

Two of the others would result in very significant future spending to which the

Government should not become committed prior to consideration of other spending needs in those future years as determined in the course of developing budget resolutions for those years.

My purpose in making this statement, Mr. President, is to explain the reasoning of the Budget Committee in regard to the action it took on the Finance Committee requests.

THE BILL ITSELF

The waiver resolution favorably reported by the Budget Committee authorizes Senate consideration of the Finance Committee's social security financing proposals themselves. They are incorporated in an amendment to H.R. 5322, a House-passed tariff bill which the Finance Committee has chosen as the vehicle for Senate consideration of these financing amendments.

Adoption of this waiver resolution is necessary for the Senate to consider the social security financing amendments themselves.

Consideration of these amendments is consistent with the congressional budget which Congress enacted 1 month ago.

Congress specifically considered the matter of social security financing legislation in adopting that budget.

The conference report accompanying that resolution explicitly recognized the major financing problems of the social security system and urged "that the responsible committees report legislation putting social security on a sound financial footing for both the short term and long term."

This position was consistent with the Senate position on the second budget resolution.

The conferees, however, explicitly rejected any increase in social security taxes during fiscal year 1978 on the ground that "any major increase in such taxes could not be justified given the present state of the economy." Congress endorsed these recommendations of the budget conferees in enacting the second concurrent budget resolution. This Finance Committee amendment is consistent with that judgment which Congress made in adopting the second budget resolution.

The social security tax increases proposed by the Finance Committee amendment would not become effective until fiscal year 1979. It is this deferral of the effective date of these new taxes, as urged in the conference report on the second budget resolution, which requires a waiver under section 303.

In view of the congressional determination incorporated in the second budget resolution regarding these new taxes to improve the social security trust fund financing, the purpose of section 303(a) has been served with respect to these tax increase proposals. Congress and its Budget Committees have examined the impact of imposing new social security taxes in the near future. In the second budget resolution, a determination was made that the taxes should be imposed but that they should be deferred beyond fiscal year 1978. The Finance Committee amendment which imposes these taxes in fiscal year 1979 is consistent with

the budget resolution. The Budget Committee believes that, under these circumstances, no point of order should lie against its consideration.

THE ALTERNATIVE TAX AMENDMENT

The waiver resolution the Budget Committee has favorably reported also authorizes Senate consideration of the alternative tax amendment in the nature of a substitute to the Finance Committee's social security financing amendments.

These amendments suggest a tax alternative to the social security financing proposals contained in the Finance Committee amendment.

The Budget Committee recommends favorable consideration of the waiver resolution applicable to the alternative tax amendment to assure that the Senate is able to debate both points of view—the committee amendment and that offered by its ranking minority member—in considering the appropriate form of social security financing to be adopted.

The committee notes in approving this waiver resolution that the alternative tax amendment, like the committee amendment itself, would not take effect until fiscal year 1979 and thus, requires waiver of section 303(a).

Mr. President, the Budget Committee has serious concerns about floor amendments which would create new entitlement legislation costing billions of dollars. These amendments would be subject to a point of order under section 303(a). The committee will keep close watch on these and other amendments to assure compliance with the Budget Act.

Mr. McCURE. Mr. President, will the Senator yield?

Mr. HOLLINGS. I yield.

Mr. McCURE. Mr. President, I ask unanimous consent that Jan Olson of Senator HAYAKAWA's staff and Tom Hill of my staff be accorded privileges of the floor at all stages of the proceedings on this budget waiver resolution.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BELLMON. Mr. President, I make the same request for Bob Boyd of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I ask unanimous consent that Jerry Gauche of Senator GRAVEL's staff be permitted the privileges of the floor during the consideration of the pending legislation and the votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DOLE. Mr. President, I do not have any objection to the comments just made by the distinguished Senator from South Carolina, and the consideration of the budget waiver resolution.

The PRESIDING OFFICER. Who is yielding time?

Mr. DOLE. I yield myself—

The PRESIDING OFFICER. The Senator does not have any time.

Mr. HOLLINGS. I yield the Senator from Kansas whatever time he may desire.

Mr. GOLDWATER. Parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. GOLDWATER. Are we operating under a time limitation?

The PRESIDING OFFICER. Under the law, there is a 1-hour time limitation on this resolution.

Mr. DOLE. Just on the resolution, there is no time agreement on the bill itself.

The PRESIDING OFFICER. Just on the waiver resolution.

Mr. DOLE. In order to establish the record, there was a Finance and Budget Committee meeting this morning. A number of amendments, were discussed including the amendment of the distinguished Senator from Arizona, Senator GOLDWATER, which would remove the earnings limitation on social security. I appreciate the careful consideration given to that point of view by the distinguished Senator from South Carolina and the distinguished Senator from Oklahoma.

We were unable to reach any agreement on whether or not there should be a waiver granted on that particular amendment or on the amendment of the distinguished Senator from Texas (Mr. Tower), who hopes to offer a substitute for the pending legislation. As I understand the situation nothing in the Tower amendment violates the Budget Act except again the earnings limitation provision.

Now, Mr. President, there is a change in the earnings limit in the bill offered in the committee by the distinguished Senator (Mr. BENTSEN). It seems to this Senator and I think, the Senator from Arizona and the Senator from Texas (Mr. Tower) that the Budget Committee, made policy decision, and not a decision based on the Budget Act.

We would hope that there would be an opportunity later in the day for the Budget Committee to meet again and consider not only a waiver of the Goldwater-Dole-Ketchum amendment but also the Tower amendment and any other amendments that may be offered to H.R. 9346, in order to prevent any objections to considering the resolution. The Senator from Kansas wants to serve notice that unless there can be some consideration by the Budget Committee of the amendments of other Senators I will not yield to any time agreements on the pending bill. In fact, it may be best to put off the bill until next January. A number of us are prepared to talk at length, if necessary, to put this bill off until January unless we can have the cooperation of our colleagues to give all Senators a chance to present our amendments.

If the Budget Committee states that there will not be any amendments that the Budget Committee cannot agree upon, there is in effect, a closed rule. We are precluded from bringing up our proposal if it has any budgetary effect at all.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. DOLE. I yield.

Mr. GOLDWATER. I thank the distinguished Senator from Kansas for his comments and for his help on this whole matter.

I point out that this is not, incidentally, a new matter. We have had this proposal before the committee in the last three Congresses, and I have never had the courtesy of being called for a hearing.

I would call to the attention of my colleagues on the Budget Committee one other facet: I have rewritten my amendment so that this will not be done overnight; it will be done in a gradual way, so that the limitation will go off completely in 1982. I would further call the attention of my colleagues to the fact that, contrary to what we have been told in the past, this will not have a deleterious effect upon the budget.

In the long run, when people receiving social security are allowed to work, to earn enough to live on, it will offset; what losses there are will be made up by increases in the internal revenue income.

I remind my colleagues of one more thing: This is not general fund money we are talking about. This is money that has been paid in to a special account, though Lord knows where it is or what shape it is in. I cannot find anyone who can tell me if there is a box somewhere with social security funds in it, or how much there is in it. My hunch is that it is already bankrupt, and we are just talking in the clouds when we say we are going to forestall bankruptcy.

All my amendment attempts to do is get people the money that they are entitled to. I do not think it is constitutionally or morally right for us to say to a retired person, "You have to give up \$2 of social security for every dollar you earn to make a living," when that money belongs to him. It is the same as if we tried to tell an insurance company what they can do with the money I have paid into an insurance program for my wife and my family.

This is all we are trying to do, and I do not see where the Budget Committee can have any real concern about this, because it does not affect the budget. If it does affect the budget, I suggest that the social security fund is already bankrupt and we had better start trying to find a new way and a better way, if we are going to continue having it.

So I would hope that later on today the Budget Committee can meet and make it possible, without floor action, to consider the Tower amendment, the Dole amendment, my amendment, and others that might be offered in the same vein. But I merely add my voice to what the Senator from Kansas has said: Unless they do this, there will not be any limitation agreement on time. We can be here until Christmas. I have nothing better to do, and I can talk along with the best of you.

(Applause from the galleries.)

Mr. DOLE. Mr. President, let me suggest to the Senator from Arizona—

The PRESIDING OFFICER. Will the Senator suspend? The Chair admonishes the galleries that its occupants are guests of the Senate. There will be no expressions of approval from the galleries during the deliberations of the Senate.

Mr. DOLE. The Senator from Kansas would only note that once the provisions of this bill reach the ears of the countryside there will be demonstrations across the country, not just in the Senate gallery. Once people find out how much their taxes are going to be increased, particularly small businessmen and employers, there will not just be demonstrations in the gallery; they will be heard from all across the country.

To get back to what the Senator from Arizona was suggesting, the social security program is a retirement program. We are talking about removing the earnings limitation only for those aged 65 to 72. Some are opposed to removing the limit as a matter of principle, but that is not a matter for the Budget Committee to determine.

Mr. BELLMON. Mr. President, will the Senator yield?

Mr. DOLE. I yield to the Senator from Oklahoma.

Mr. BELLMON. The Budget Committee acted on the only available requested item before it this morning. The Senator from Kansas, the Senator from Arizona, and the Senator from Texas will have to get a request together, and we will be happy to act upon it. But we had only one request before us, the request of the Finance Committee.

Mr. DOLE. As the Senator from Kansas pointed out, we are trying to get one together. I frankly think the Budget Committee could have taken care of it. The Senator from Kansas was there—

Mr. BELLMON. How could we have acted, without a request before us?

Mr. DOLE. It was included in the original resolution.

Mr. BELLMON. We approved the resolution from the Finance Committee, which is the only thing we had before us.

Mr. DOLE. I would just suggest that we think we ought to have the same consideration that other Senators received.

Mr. BELLMON. You will have that consideration when you get your request together.

Mr. GOLDWATER. Mr. President, will the Senator yield for a question on that point?

Mr. BELLMON. I yield.

Mr. GOLDWATER. If the Senator from Oklahoma will remember, not many hours ago the Budget Committee approved an increase to \$8,800. I am told by the Senator from Kansas that the amount of \$6,000 is already in the Senate bill. So, some place along the line, either you were not at the Budget Committee meeting—

Mr. BELLMON. I was at the Budget Committee meeting, and the figure we approved was on a request from the Senate Finance Committee, which anticipates raising the earnings limit up to \$8,880 by the year 1985.

Mr. GOLDWATER. But it was considered. Frankly, I did not think it was necessary for the proponent of an amendment like this to appear before the Budget Committee, because it does not involve general funds.

Mr. DOLE. But, it involves the idea. According to the committee, there is a budget impact. That is the way the act is worded, that is the way the staff inter-

prets it, and that is the way the committee proceeded.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. DOLE. I yield to the Senator from Texas.

Mr. TOWER. I appreciate the statement just made by our colleague from Oklahoma. I am sure he wants to act fairly and correctly in this matter, and I take what he says at face value. I think it would be wise for the Budget Committee to reconvene and consider these requests.

I might add that all that is happening now tends to reinforce the opinion that I have that for the sake of legislative efficiency and expediency and getting something done, and passing a certain volume of legislation, we probably are not deliberating as carefully and intently on this legislation as we should, and we certainly are not back in our constituencies, finding out what the people think about it.

I think while the whole social security matter is now pending would be a good time for us to quit and go home, and find out how people are reacting. Some people have the view that we ought to stay up here every day, all day, every year, and legislate, that that is our job. But it is really more than that.

It is our job to reflect the views, the concerns, and the aspirations of our constituents. I submit that we cannot do that sitting here in the Senate Chamber day after day after day. Sure, we can read our mail and respond to our phone calls, but there is nothing like getting on the ground with people and responding to their questions and their comments.

I think that the Senate, if it did the statesmanlike thing, would consider putting this bill over until January, until all of us have had a chance to suggest the various proposals that have been advanced, all well motivated proposals, and have a chance to go back home and talk with people about it, and see how they feel about these matters.

I think that the volume of legislation that we pass is not going to be the criterion by which we are judged by the people of this country. It is the quality of legislation which we pass in this Congress.

I wish the leadership would give some consideration to taking this bill over until January, until we can all do some study and reflection on it, refine whatever proposals we have, and get the opinions of the people who count, the people of the United States of America.

Mr. DOLE. Does the Senator from Kansas still have the floor?

The PRESIDING OFFICER. Yes.

Mr. BELLMON. Will the Senator from Kansas yield for 1 minute?

Mr. DOLE. Yes.

Mr. BELLMON. I would like to join the Senator from Texas in his comments. To further set the record straight on the responsibility of the Budget Committee in this matter, let me just say that our hope is to get together all amendments which will have a budgetary impact before we have another meeting. We cannot have a meeting every time a Member decides to offer an amendment. We

would like to know what amendments are going to be offered and try to deal with them in an orderly way.

One of the problems is that this bill has come to the floor under hasty and unusual circumstances.

Mr. DOLE. There is not even a committee report.

Mr. BELLMON. It makes it difficult for us to follow the requirements of the budget law, which is what we are trying to do.

Mr. DOLE. There is not a committee report. All there is is a press release. That requirement was obviated by certain procedural steps which have been taken. It does seem to the Senator from Kansas, now that the Senator from Oklahoma has indicated again that we should consider all possible amendments at one time, as a member of the Budget Committee I can certainly appreciate that. There was an effort this morning to indicate, at least, that we would put the Tower, Dole, and Goldwater amendments together and then introduce a resolution and agree to procedure. But the committee adjourned before that issue could be resolved.

As the Senator from Kansas indicated, we should have an opportunity to present our amendments. We do have the opportunity despite the Budget Act. We can appeal the ruling of the Chair. I believe Senator GOLDWATER has 38 to 45 cosponsors. I assume the amendment would prevail. There is some real question whether we should remove the total cap. The Senator from Kansas believes we should look at that very carefully. I would also hope we would have a chance to consider these amendments in due course.

Mr. President, I yield the floor.

Mr. TOWER. Mr. President, I ask unanimous consent that Cindy Root and Pam Turner of my staff be granted the privileges of the floor during the consideration of this measure and the votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Who yields time?

Mr. NELSON. Mr. President, I am prepared to yield back my time.

Mr. HOLLINGS. Mr. President, I am prepared to yield back my time.

The PRESIDING OFFICER. All time has been yielded back. The question is on agreeing to the resolution.

The resolution (S. Res. 315) was agreed to, as follows:

S. RES. 315

Resolved, That (a) pursuant to Section 303(c) of the Congressional Budget Act of 1974, the provisions of Section 303(a) of such Act are waived with respect to the consideration of H.R. 5322, an Act to provide duty-free treatment for Isle and with respect to the consideration of an amendment incorporating the text of H.R. 5322, as reported, if such amendment is offered on behalf of the Committee on Finance to H.R. 9346, an Act to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local Governments, to

increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes; and

(b) That waiver of such Section 303(a) is necessary in order to enable the Senate promptly to consider changes in social security financing which are provided for in H.R. 5322, as reported by the Committee on Finance, which are urgently needed in order to assure that the program is adequately funded, and which first becomes effective in fiscal year 1979; and further.

(c) That the provisions of Section 303(a) of the Congressional Budget Act of 1974 are also waived with respect to the consideration of two amendments to either H.R. 5322 or H.R. 9346 offered by Senator Curtis to modify provisions related to the rates of tax imposed under chapters 2 and 21 of the Internal Revenue Code of 1954, to the amount of earnings subject to such taxes, and to the amount of earnings creditable in determining benefits under title II of the Social Security Act.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

The PRESIDING OFFICER. The Senate will resume the unfinished business, H.R. 9346.

Mr. DOLE. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, I rise for the purpose of a clarifying statement with respect to the provision in the committee bill having to do with the earned income disregard, as it is known in the language of welfare regulations.

The committee has adopted a measure which will result in a substantial savings in expenditures, and in response to a long recognized need for some change in these matters. The administration also has a proposal with respect to the earned income disregard which is both to and different from that which the committee adopted. It was addressed to the same problem, but it yields a smaller savings. The administration, understandably, feels strongly about its position and would hope that, in the end, it will be adopted. I have publicly stated my own preference for this outcome and my willingness to assist in bringing it about. Perhaps we shall have an opportunity on the floor during the next several days.

In any case, I should like to state that we on the committee understand that we may expect the administration position to be expressed to us in a conference committee. Of course the outcome would then remain for the conferees to determine.

I thank the Chair for recognizing me.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. CHURCH. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. ANDERSON). Without objection, it is so ordered.

Mr. CHURCH. Mr. President, I ask unanimous consent that David Affeldt be accorded the privilege of the floor during consideration of the social security financing amendments of 1977 and any votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHURCH. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. HATFIELD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER (Mr. LEAHY). Without rejection, it is so ordered.

Mr. HATFIELD. Mr. President, I speak on behalf of Senator DANFORTH's amendment. The aggregate tax that will result from our action here today for State and local governments and non-profit organizations in the next 10 years is a figure triple what the tax is today. For organizations and governing units which already pay their dedicated workers at subsistence levels this will mean a burdensome tax obligation increase from \$6.6 billion to \$21.6 billion over the next crucial decade.

Nonprofit institutions cannot recoup a portion of their social security taxes as do profitmaking employers.

Health care, educational, and missionary institutions must have aid in relieving the tremendous pressures to hold down the cost of their services despite rapidly rising costs of goods and support suppliers.

We are all very aware, and constantly reminded, of the financial crisis confronting our city and State governmental agencies.

To be abundantly practical, the Oregon State and local governments will incur a tax liability of approximately \$83 million under this social security financing bill. As it is presently written these agencies, and the nonprofits, will receive no comparable deductions or tax credits to the corporations' 48-percent rebate.

If Mr. DANFORTH's amendment is adopted, the Oregon governmental agencies will receive a 10 percent or \$8.3 million reduction in their social security tax liability.

I commend my colleague's perception of the need and his wise contribution to this piece of legislation.

Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that Susan Irving, of my staff, be accorded the privilege of the floor during consideration of this bill and any votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. RIBICOFF. I am pleased to yield.

Mr. NELSON. Mr. President, I ask unanimous consent that John Haynes, of Senator ANDERSON's staff, be granted the privilege of the floor during the course of consideration of the pending legislation and votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. EAGLETON. Mr. President, will the Senator yield for a similar purpose?

Mr. NELSON. I am pleased to yield.

Mr. EAGLETON. Mr. President, I ask unanimous consent that Mr. Steve Raling and Miss Sally Brain be accorded the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 1033

Mr. RIBICOFF. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Connecticut (Mr. RIBICOFF) proposes unprinted amendment numbered 1033.

Mr. RIBICOFF. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

On page 75, after line 22, at the end of subsection (b) of section 129, insert the following:

(4) section 3121(k)(4) is amended by striking out the word "date" in subparagraph (B)(ii) and inserting in lieu thereof the words "first day of the calendar quarter"

Mr. RIBICOFF. Mr. President, I have discussed this amendment with the distinguished managers of the bill, and I hope that they find their way to accept it.

Last year Congress moved to deal with the problem faced by a number of nonprofit organizations that had paid social security taxes without filing the required waiver.

In this legislation Congress allowed those organizations in this position who had obtained refunds to choose whether or not to file a new waiver or to participate in the system. However, the legislation required not only that refunds be received prior to September 9, 1976, but also that they be for a period after July 1, 1973.

A number of organizations—on the advice of the Internal Revenue Service—had applied for refunds only for the period up through June 30, 1973. These organizations were told by the IRS to ob-

tain a refund for the quarter ending June 30, 1973, and then to apply for later refunds. The so-called "Ottinger bill" however classifies these organizations as not having received a refund. Thus they are denied certain choices. This amendment would allow refunds received by the deadline for the earlier quarter to count.

Mr. NELSON. Mr. President, the staff has examined the amendment as proposed by the Senator from Connecticut. It simply involves a technical mistake that was made, and this amendment would rectify it and, as manager of the bill I have no objection to it.

Mr. CURTIS. Mr. President, if the Senator will yield, I will say we have no objection to it. We favor the amendment.

Mr. BELLMON. Mr. President, will the Senator yield for a question?

Mr. RIBICOFF. I would be pleased to.

Mr. BELLMON. What is the cost of the amendment?

Mr. RIBICOFF. I think the cost is minimal. It merely protects them from retroactive liability, but my understanding is there is no cost involved.

Mr. BELLMON. I thank the Senator.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Connecticut.

The amendment was agreed to.

Mr. EAGLETON. Mr. President, I intend to move to commit the pending bill to the Committee on Finance with instructions to report the bill back forthwith to the Senate so as to authorize appropriations out of general revenues to cover not less than 4 percent of the total cost of the bill. Before I make that motion I would like to state my reasons for offering the same.

Mr. President, in my role as chairman of the Subcommittee on Aging I am well aware of the positive effect social security has on the lives of the 33 million Americans who receive social security benefits. Since 1975 expenditures from the social security cash benefits program have exceeded income and this unfortunate situation will continue unless Congress takes corrective action. Without changes, it is well understood that the disability insurance (DI) funds will be exhausted by 1979 and the funds supporting the old age and survivors insurance (OASI) program will be completely exhausted by 1983. This uncertainty in the financial integrity of the social security trust fund cannot be allowed to continue because the confidence of the 104 million working Americans whose payroll taxes support the system (combined with equal contributions from employers) will continue to decline. Because of President Carter's leadership, Congress is finally addressing itself to the very difficult but necessary question—How can we best change the financing formula of the social security system in order to protect the financial integrity of the system?

Last week, the House responded to this question by passing legislation that would substantially increase (over present law) the amount of taxes paid into the social security system by both employees and employers. Some experts have estimated that about \$10 billion in extra taxes will

be paid by employees and employers per year. Employees at the high income level will have their social security taxes tripled in the next 10 years while the poor and/or average wage earner will see his taxes increased by 50 percent by 1985. The effect that these higher taxes will have on businesses is very uncertain. Many businessmen in my State have advised me that the House bill leaves them with only four possible solutions: First, raise their prices significantly to pay for the extra cost; second, fire employees; third, cut back or eliminate fringe benefits; fourth, reduce wages. None of these alternatives are particularly appealing to our Nation's economy.

Now, I would like to address myself to the proposal presently pending before the Senate. In its wisdom, the Senate Finance Committee has decided that the best way to restore the financial integrity of the social security trust fund is to require employers to pay \$30 billion to \$35 billion more in social security taxes than employees over the next 5 years. This change violates the so-called parity rule under which employees and employers have paid exactly the same amount of taxes since the system began. The committee contends that this proposal is preferable to the House-passed measure because it decreases the tax burden on the average wage earner at the expense of the employer who is able to pay his staff a better-than-average salary.

Mr. President, in theory this argument may be persuasive but I am afraid that in the hard, cold world of dollars and cents this proposal may cause more problems than it resolves. Two questions come to mind immediately: What effect will this tax increase have on the unemployment rate? What effect will this tax increase have on our Nation's economy? Obviously, no one knows the precise answers to these serious questions, but apparently President Carter is so concerned with the effect that this tax increase may have on the economy that he has delayed sending to the Hill his tax reform package. Last week, President Carter was reported to have said to a group of newspaper editors that the taxes have to be raised so the social security system "won't go broke," and he added that he will act to offset their effect next year by proposing tax cuts as part of his general tax revision plan.

If Congress votes to substantially increase payroll taxes, and then gives taxpayers a break on their personal income taxes next year to compensate for the increase in social security taxes, I submit that we are simply deluding ourselves into thinking that the funds are not coming out of general revenues. General revenues will be diminished by the amount given back to the taxpayer in the form of a rebate of credit on income taxes, and the money collected from the wage earner in payroll taxes will be deposited into the social security trust funds.

I have opposed the revenue sharing program on these same grounds; money is sent from taxpayers to Washington and we turn around and send it back to

the States and local communities again. I often get letters from constituents asking me to explain the logic of the general revenue sharing program, and I simply cannot tell them why taxes have to go to Washington to end up in St. Joseph or Springfield, Mo.

Mr. President, an article by Tom Wicker in the New York Times of November 1, 1977 raised this important point I have been discussing. Mr. Wicker states that President Carter's comment that a tax cut may be necessary next year to mitigate the economic effects of the social security program raises—

... the question why Mr. Carter had not pushed more strongly for use of general revenues, rather than higher payroll taxes, to bolster the Social Security system. What's the ultimate difference between income tax cuts to compensate for higher payroll taxes, and the transfer of general revenues to Social Security? And is anybody really thinking through the intricate relationships between such problems as stimulating the economy, holding down inflation, Social Security reform and general tax reform?

Mr. President, we all agree that the integrity of the social security trust fund must be protected. I submit that the solutions to the social security funding problem offered by the Senate Committee on Finance and the House are both inappropriate. Both proposals could cause our economy more problems than they solve. I suggest that the Senate needs to take a hard close look at the idea of using general revenue funds as a partial way of restoring the financial integrity of the social security trust fund. Certainly the payroll tax paid by both employees and employers needs to remain as the primary means of financing the social security system. However, both the House and Senate bills have continued to rely exclusively on the payroll tax to the point where the new tax burden for both employees and employers may cause very serious problems for our economy (and hardships for millions of wage earners).

Mr. President, I am afraid that the pending bill and its related bill passed by the House have raised social security taxes beyond the breaking point for the average American worker and employer. We are simply asking too much from these people. I know that many of my colleagues are opposed to using general revenue funds to finance social security because it is argued that this will make social security "another welfare program" and it will destroy the feeling among social security recipients that they are paying for their own retirement. In actual practice, we all know that each worker is not paying for his/her own retirement—rather the working person is paying for the benefits received by someone already retired. This same process will be repeated when the present worker retires and has his benefits paid by a younger worker.

Mr. President, I am well aware that general revenue is not a bottomless pit of dollars—I know that this money is contributed out of the same pocket of those people who contribute to social security. However, I think we must put our priorities in proper perspective—first, the social security system must be

protected; second, we must finance the system in such a way that is not harmful to the Nation's economy.

The rapid rise in payroll taxes embodied in the Finance Committee's proposals could have severe economic effects. If these increases are enacted, most employers will probably choose to shift the costs forward and increase their prices of their products or services. A report printed in May by the Senate Budget Committee concludes that—

Increases in payroll taxes may therefore contribute to inflation. In addition, since the rise in prices reduces consumer real income, total consumer demand will decline in real terms and this will reduce production and employment.

Computer simulation studies done by the Budget Committee indicated that the payroll tax, if shifted forward by companies raising their prices, would have twice the negative effects on employment of an equivalent increase in personal income taxes.

As my colleagues know, the economy is not growing as rapidly as we would like. No one would propose an increase in personal income taxes now because this would depress the economy. In fact, the administration and others are calling for tax cuts early next year to keep the recovery on track. Personal income taxes are far more equitable than payroll taxes, and do not have the inflationary effect associated with rising payroll taxes. If additional revenue is needed for the social security system, on these grounds I would prefer that the money temporarily comes from general revenue.

I further contend that it is blatantly unfair to consider giving tax cuts to all Americans when not all Americans are contributing to the financing of the system. Therefore, it seems to me that if the President determines a tax cut to be necessary he provide the tax cut only to those people who are forced to pay higher social security taxes or, what I would prefer, an authorization of appropriations to help cover the cost of the system.

Mr. President, I feel so strongly about this issue that I shall be compelled in a moment to move to recommit this bill to committee with instruction that the committee report back forthwith a bill which authorizes the spending of general revenues to cover not less than 4 percent of the total cost of the bill. Certainly, general revenue funding should only be used as a last resort and some sort of upper ceiling (tied perhaps to the unemployment rate) needs to be established so that we do not depend too heavily on general revenues.

President Carter has suggested that general tax cuts will be necessary to offset the payroll tax increases. I feel strongly that a better way to deal with this problem is to transfer funds directly from general revenue to insure the solvency of the social security system.

Mr. President, I move the adoption of my motion to recommit the pending bill to the Committee on Finance with instructions to report the bill back to the Senate before the end of this session, amended so as to authorize appropriate

tions out of general revenues to cover not less than 4 percent of the total cost of the bill.

That concludes my remarks at this time, Mr. President, I intend to make a motion shortly.

Mr. CURTIS. Mr. President, will the distinguished Senator yield?

Mr. EAGLETON. Yes.

Mr. CURTIS. The Senator has not yet offered his motion to recommit, has he?

Mr. EAGLETON. No; I am going to offer my motion to recommit in a few minutes, subject to the wishes of the Senator from Nebraska.

Mr. CURTIS. I thank the Senator. Does the motion to recommit call for reporting back forthwith?

Mr. EAGLETON. Yes, forthwith.

Mr. CURTIS. So, in other words, the Senator is not getting this issue involved in the discussion as to whether or not this bill ought to be finished now or wait until January?

Mr. EAGLETON. The Senator is absolutely correct. It is forthwith, for immediate action.

Mr. CURTIS. I appreciate that, because there is a restlessness around here to not act on this bill now, but to adjourn sine die; and I would not want an important decision such as whether or not general funds should be used for social security to depend on whether or not we are anxious to get rid of it for a few months; so I commend the Senator for following that pattern.

Does the Senator believe that we can start to finance social security out of general funds and discontinue it at a later time?

Mr. EAGLETON. Yes, if it is geared to an unemployment rate. I would devise a formula that said whenever unemployment exceeded 5.5 percent, or make it 6 percent, then there would be an infusion of general revenue funds under those circumstances, but that when unemployment decreases to a more acceptable level, I would decouple it and take the general revenue out at that time.

Mr. CURTIS. That is almost like the administration's original proposal; is it not?

Mr. EAGLETON. Yes.

Mr. CURTIS. And the Senator is aware that the Finance Committee turned that down?

Mr. EAGLETON. Yes, I am aware.

Mr. CURTIS. Is the Senator aware that the financing proposal now before the Senate has never been supported by a majority vote of the Finance Committee?

Mr. EAGLETON. I knew there was a whole range of differing feelings on the Finance Committee, and that no one idea was adequate to get a majority.

Mr. CURTIS. The Senator is very kind to answer my question in that fashion, and I appreciate it. I ask him this: In turning to the general fund to restore the social security funds, does the Senator expect to increase taxes to replenish the general fund, or is he indicating just an increase in the deficit, the national debt?

Mr. EAGLETON. The latter, for the moment.

Mr. CURTIS. I again commend the Senator on his frankness.

In other words, Mr. President, I think this: I think the word is to go out across the land, "We are willing to send out your social security checks, but we are doing it by increasing the national debt."

Mr. President, the social security program is at a crossroads. We should either reduce benefits or increase taxes.

I thank the Senator for yielding.

Mr. EAGLETON. Let me speak briefly to the Senator from Nebraska before yielding to my colleague from Missouri. The Senator from Nebraska has stated what the word is that should go out to the 200 million-plus Americans about social security.

I say that if the Finance Committee bill is enacted this afternoon, or whenever it is enacted, the word should go out that although temporarily the social security system has been tidied up, the impact it will have on our economy is so negative in nature that early on next year, President Carter is going to be compelled to recommend to Congress some kind of a tax cut in order to confront a bit better the increase engendered by the Finance Committee's bill.

So whatever we do here today, I say to my colleague from Nebraska, some word will have to go out, whatever the word is.

Mr. CURTIS. I am not for the so-called committee bill reported by the Finance Committee.

Mr. EAGLETON. I thank my colleague. I yield to the Senator from Missouri.

Mr. DANFORTH. When this bill was in the Finance Committee, the Secretary of HEW testified on behalf of the administration's proposal, which called for I suppose what the Senator is now suggesting, namely, a draw on the general fund of the Treasury.

Mr. EAGLETON. I changed it a little bit.

Mr. DANFORTH. It is the same idea.

The point was made in the Finance Committee that there was one problem with the general fund, that is, that the cupboard is bare. We are now running a very substantial deficit and we have a very substantial national debt. Therefore, one approach which was taken was that if we have to raise real money for the social security trust fund rather than just printing press money, instead of using the payroll tax route we could impose a surcharge on the income tax. That is, when taxpayers would compute their income tax, they would add 3 percent over and above the computation. That money would then be earmarked for the social security trust fund.

It was argued in the Finance Committee that the benefit of such a proposal was that it was a progressive form of taxation. That is, whereas the payroll tax is regressive, it is a fixed rate and it taxes the first x number of dollars of an employee's wages, a surcharge on the income tax spreads the burden more equitably throughout the income brackets. It allows those who have the good fortune of having a relatively high income to pay relatively more.

The most popular of all approaches

would be to keep the benefits going without any tax increase at all.

I wonder if the Senator would consider modifying his proposal to provide for a surcharge on the income tax. In that event, I might consider supporting the Senator.

Mr. EAGLETON. The Senator's suggestion is an excellent one, second only to mine. It is a very good alternative idea. Part of the problem of adding on the surtax would be from an economic point of view how do we add on the surtax in November 1977 and then have the President and the Congress say we are probably going to have to have a tax cut in February or March of 1978?

Mr. DANFORTH. I think the Senator has raised a very good point. As the Senator knows, last March I was privileged to offer an amendment, along with the senior Senator from New York (Mr. JAVRS), which would have provided for a permanent tax cut as an alternative to the \$50 rebate. It is my position, and it has been for a long time, that the American people are paying too much in taxes. I am pleased to see that the President is now considering withholding his income tax proposals to find out what happens with respect to energy taxes and social security taxes. They do have to be treated as a bundle, with their total impact on the economy.

It seems to me that since we have only the social security tax before us right now, we should deal with that as a problem which requires a real economic treatment and not just sort of a funny money approach, and then get to the question of the interrelationship between the various taxes next January.

If, in fact, the need is to replenish the fund from somewhere at this point, if any approach of raising \$70 billion over 5 years is unpopular, I wonder if the Senator might reconsider his position and offer an amendment which would direct the Finance Committee to report back with a surcharge on the income tax.

Mr. EAGLETON. I will make a deal with my distinguished colleague. If he will support me on this one and it fails, I will then support him on his, on the eve of his failure.

I think the Senator from Missouri makes a very valid point. He commends the President for postponing his tax message, and I believe wholeheartedly the President is right in that postponement. The Senator from Missouri is correct. The President, in deciding what his tax reform package will be, has to take into account what at that time will be energy tax proposals. He will have to take into account whatever we do with the social security system. Those two actions are absolute prerequisites for the President to make his recommendations on the overall tax bill next spring.

Mr. President, I am prepared to make my motion at this time.

Mr. CURTIS. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. CURTIS. Is a motion to recommit debatable?

The PRESIDING OFFICER. It is.

Mr. EAGLETON. Mr. President, I move to commit the pending bill to the Committee on Finance with instructions to report the bill back forthwith with an amendment to authorize appropriations out of general revenues to cover not less than 4 percent of the total cost of the bill.

Mr. BELLMON. Mr. President—
The PRESIDING OFFICER. The Senator from Oklahoma.

Mr. NELSON. Will the Senator yield for a unanimous-consent request?

Mr. BELLMON. I yield.

Mr. NELSON. Mr. President, I ask unanimous consent that Mr. Bob Hoyer, of the Finance Committee staff, be granted the privileges of the floor during consideration of the pending measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BELLMON. Mr. President, I appreciate the objective which the Senator from Missouri has. There are, however, some points I would like to raise which need to be considered before this matter is put to a vote.

First of all, at the present time I believe most Americans look upon social security as a kind of insurance program for the working people of the country. They do not look upon it as a welfare program or as a program paid for by other than those who benefit from it. The only way we have to put general revenue funds into social security is to borrow the money. The Nation is already running a \$60 billion deficit. If we undertake to take money out of the general revenue fund, all we do is add to the deficit and in this way increase pressures in areas we are already trying to help.

Also, the requirement to raise payroll taxes imposes at least some discipline upon the Members of Congress. We are tempted to raise social security benefits to be paid for by borrowing money. We do not feel the same kind of restraint in raising taxes to pay for our deficit.

I believe this amendment would remove one of the most important restraints we have in Congress to keep us from letting the social security program get completely out of hand.

To me one of the most important arguments made here is that it shows it is sort of ridiculous for us to try to move this complicated legislation in such a hasty manner. I do not believe anyone has had time to fully consider what we are doing here.

While I do not support the purpose of the motion of the Senator from Missouri, I would support it if he would agree to recommit the bill with instructions that it not be brought back until February. I think we have not had a chance to consider what we are proposing to do, or give the people of the country a chance to realize what is at stake. I believe we could act in a far more intelligent manner at that time.

I believe general revenue financing for social security may sound like a good idea and certainly is a fast way to get money into the system, but it certainly is not going to add to the fiscal stability of the country, nor is it going to be, in my judgment, a long-range benefit to the social security system. If we start this process,

we are going to find ourselves raising the benefits time after time, paying for it with borrowed money and, in the long run, causing chaos in the whole system.

Mr. President, I ask unanimous consent that Mr. Bob Fulton of the Budget Committee staff may have access to the floor during consideration of this measure.

The PRESIDING OFFICER (Mr. RIEGLE). Without objection, it is so ordered.

Mr. DANFORTH. Will the Senator yield for a question?

Mr. BELLMON. I am happy to yield.

Mr. DANFORTH. I believe the Senator is the ranking minority member of the Budget Committee. Is that correct?

Mr. BELLMON. That is correct.

Mr. DANFORTH. I was briefly a visitor at that committee this morning, trying to work out a budget waiver situation with respect to a form or variation of an amendment that I propose to offer some time later in the day, or maybe tomorrow. I was told that on my previous version, a point of order would have been raised under the budget resolution. I wonder, if my amendment had been subject to a point of order, why would not Senator EAGLETON's amendment have been subject to a point of order?

Mr. BELLMON. It is my opinion, Mr. President, that the Eagleton amendment is subject to a point of order. If that matter can be firmly established, a point of order will be raised before a vote is taken.

Mr. NELSON. Mr. President, the concept of using general fund moneys is not a new one. I do not, personally, view it as a bad idea per se. As I understand it, the Senator from Missouri is recommending that the bill—I hope the Senator will correct me if my ear was getting inaccurate vibrations—be recommitted to the Finance Committee; that general fund moneys be infused to the extent of 4 percent of the total annual social security cost, which would be about 4 percent of around \$90 billion, or about \$3.6 billion. Is that right?

Mr. EAGLETON. I have not computed all the figures. That sounds pretty close to correct, but I want to emphasize that I am only talking about measures of program cost over the present law.

Mr. NELSON. And the infusion of general fund moneys would be triggered by some level of unemployment.

Mr. EAGLETON. Correct.

Mr. NELSON. I think that if we were going to use general fund moneys, as a matter of fact, that would be the way to do it. I am a little puzzled as to why the Senator would want to send it back to committee to have us deal with that question, in any event, rather than offer an amendment on the floor.

The committee did consider a modest amount of general fund moneys which I proposed respecting the concept of transferring hospital insurance money to the cash benefits trust funds, and allowing the general fund to pick up the slack. But that was voted down unanimously.

Mr. EAGLETON. The Senator from Wisconsin did not support his own amendment.

Mr. NELSON. After I looked at it, I thought it was a bad idea. That is what I think of the amendment of the Senator from Missouri.

I think the problem the Senator has is that there is an awful lot of talk on the floor of the Senate about the taxes being too high in this bill; we have to be more responsible; and we should not give more benefits. Well, I want to see the votes of those people who are saying the taxes are too high when we come to the floor with the amendment to eliminate the earnings limitation test. I hope that the Senator from Missouri will recognize that we have levied very high taxes now, and the Senator is here expressing his concern about them. I am concerned, too. I happen to be more concerned about bankrupting the system. I think the taxpayers and the recipients want the system to be sound, and we have levied a tax to do so.

But I am going to be interested to see what will happen in the next 2 days. Along will come the amendment to eliminate the earnings limitation. Almost all of the benefits will go to those who are already well off.

In fact, we are going to have a situation, for all those who vote for it, in which lawyers, doctors, professors, and engineers—who are making \$20,000, \$30,000, \$50,000, \$100,000 or \$200,000—it does not matter—are going to be able immediately to draw an "annuity" when they reach age 65, while the poor fellow who is struggling to keep his family going is paying for it all.

It will be interesting to see how the votes fall on the Senate floor for those who say that the taxes are too high in this bill; yet, when they vote to eliminate the retirement test, they are going to raise the taxes another \$1 billion to \$2 billion a year over what the Senate Finance Committee has recommended with its \$6,000 earnings limitation.

Then we are going to have an expensive disability amendment, on the floor, which is going to cost some more money. And all of those who are telling us that the taxes are too high are likely to be some of the same ones who are going to vote to increase the disability benefits while they are crying crocodile tears about the burden of the taxes on the workers in the bill before the Senate.

Then we shall take up Senator DANFORTH's general revenue sharing proposition, which would go into the general fund from another angle. I guess the two Senators from Missouri must have gotten together to find out how much they could get out of that general fund. The junior Senator from Missouri would reach in for 10 percent of all the taxes paid by States, municipalities, colleges, charities, private colleges, and give it back to them. In fact, he would give them back more than the increased social security taxes they are going to pay.

Senator DANFORTH's amendment would use \$14 billion of general revenues between now and 1987. The cost of that amendment will start at about \$1 billion a year. It will cost \$2.2 billion a year in 1987 and the cost will continue to go up. That is one opening in the general fund which does not give one additional penny of benefits to a single old person, or any other beneficiaries. It all goes to the municipalities, States, and the colleges.

Now we have the senior Senator from

Missouri, who wants to reach into the general fund on the other side and trigger the infusion of general funds when the unemployment rate gets to a certain level. On principle, I do not object to that, myself. But what scares the life out of me is all the Senators who will come down to the floor and complain and cry about the taxes in this bill, who will also vote for bigger expenditures, and then leave the floor claiming that they have done something for the betterment of mankind.

This bill, and the amendment that will be called up by the Senator from Nebraska—with which I disagree—his bill, this bill, and the bill in the House, at least have the virtue that those who brought them to the floor brought them to the floor with enough money to pay for them. I think when we come to the floor with these amendments that are coming down here, they ought to hang a tax on them to pay for them.

Mr. DANFORTH. Will the Senator yield for a unanimous-consent request? Mr. NELSON. I yield.

Mr. DANFORTH. Mr. President, I ask unanimous consent that Peter Truza of the Human Resources Committee staff, Barbara Washburn of Senator JAVIT's staff, and Mary Ann Simpson of Senator STEVEN's staff be granted privilege of the floor for the remainder of the consideration of this bill and for votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HARRY F. BYRD, JR. Mr. President, I ask unanimous consent that Edward Beck of my staff be granted privilege of the floor during consideration of this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MATSUNAGA. Same request for Karen Langley of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LEAHY. Mr. President, the same request for Judy Hefner of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I want to repeat that I do not object in principle to the idea of infusing general funds with the trigger mechanism for unemployment. I wish that the senior Senator from Missouri would offer such an amendment on the floor.

I am puzzled a bit, however, as to how a tax on the employer and the employee to restore the balance in the fund is inflationary, whereas a tax on the same taxpayers to put money in the general fund to support social security is not inflationary. How is it that those dollars that we get from the taxpayers and the workers—104 million of them—are inflationary dollars, whereas reaching into the General Treasury and running the deficit up another \$3.4 billion a year is somehow noninflationary?

I suppose we can get an economist to argue any side of any question we can think of. But that one does puzzle me a little bit.

Mr. President, if this is a motion to refer the bill back to the committee, I certainly will at the appropriate moment move to table it.

Mr. EAGLETON. Mr. President, I thank my colleague and I will be brief. Then we will get to a motion to table.

First, let me say I certainly agree with my colleague from Wisconsin on this question of removing the earnings limitation and I have said I agree with him with respect to increasing the disability benefits. I shall vote with him against removing the earnings limitation and against beefing up the disability provision. He is absolutely correct on that.

We will hear all the crocodile tears, as he says, about the system going broke, it is running out of money.

I suspect the Senator from Wisconsin is absolutely correct, around 4 or 5 this afternoon or tomorrow a large number of Senators will vote to bankrupt the system even more. The Senator from Wisconsin is absolutely correct.

I am reserving judgment on whether I will support the Danforth amendment. I will watch how he votes on mine.

To answer the economic issue, if I may have the attention of the Senator from Wisconsin, the economic justification is contained in one very pithy sentence from the Budget Committee report of May 19, 1977:

Evidence on what actually happens is somewhat sketchy. However, there is a growing number of economists who believe that considerable forward shifting does, in fact, take place.

Mr. President, I ask unanimous consent that a full discussion of this economic issue be printed in the RECORD at this point, which means further excerpts from the Budget Committee report of May 19 of this year.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

EXCERPTS FROM BUDGET COMMITTEE REPORT

II. ECONOMIC EFFECTS OF PAYROLL TAXES

Built-in stability

Both social security and unemployment insurance programs are credited with acting as automatic fiscal stabilizers. In the case of social security this automatic stabilizing effect occurs on the revenues side because the revenues go up and down automatically as business activity expands and contracts. In the case of UI the stabilizing effect comes mainly from the benefit side. By cushioning the fall in labor income as unemployment increases the program prevents consumer expenditure from falling by as much as would otherwise be the case, thereby moderating the recession. Similarly, during the upswing the reduction in UI benefits prevents labor income from rising as rapidly as it otherwise would, so that the rise in consumer spending is moderated. This helps to prevent recovery from being too rapid and lessens the danger of inflation. The net effect of the automatic stabilizers is to reduce the amplitude of fluctuations in economic activity and to stabilize the level of employment.

The importance of social security and UI for economic stability cannot be overemphasized. In 1973, a year of prosperity, the receipts of the UI trust funds exceeded benefit payments by \$2.4 billion. During the recession year of 1975, the surplus was converted into a deficit of \$9.2 billion. Therefore, from peak to trough the economy benefited from a stabilizing budgetary swing of \$11.6 billion due to the UI program alone.

Unfortunately, the recent and prospective tax increases that were described in the previous section have the effect of reducing the

stabilizing power of social security and UI. In the case of UI, for example, annual tax collections have actually increased from 1973 to 1976 (from \$6.5 billion to \$7.8 billion) despite the enormous economic deterioration that occurred during that time. Recovery is facilitated and employment is increased when UI benefits enable unemployed workers to maintain their purchasing power. But these favorable developments are negated to the extent that benefits are financed by higher taxes.

Hardly anyone would advocate raising personal income tax rates during a recession for the purpose of recapturing the revenue loss that the recession has caused. Yet such perverse policy is quite common in the case of payroll taxes, even though the increased payroll taxes may do more harm to the economy than an equivalent increase in the personal income tax.

Anti-jobs biases

The existing system of employer payroll taxation creates a number of anti-jobs biases. An employer who wishes to expand output will find it in his interest to do this by utilizing his existing work force more intensively rather than by hiring new workers if his existing workers receive wages in excess of the payroll tax base. Any increase in wage payments above the base entails no additional payroll tax, whereas the hiring of a new worker will force the employer to pay additional taxes.

A second bias created by the present system is that it provides an incentive to introduce technology that utilizes highly skilled workers at high wages rather than less highly skilled workers at lower wages. For example, if worker A is paid \$20,000 and produces exactly as much as the combined output of workers B and C, each of whom earn \$10,000, it will pay the employer to hire worker A because he must pay payroll tax on the full \$20,000 earned by B and C but only on \$16,500 if he hires worker A.

By far the worst problems created by payroll taxes stem not from their magnitude, but from the fact that they have been increasing very rapidly during a period of slack in the economy. This trend is interfering with recovery and may also be a partial explanation for the continuation of unacceptable rates of inflation.

An employer payroll tax increase may lower profits; it may be shifted backward and reflected in lower wages; or it may be shifted forward and reflected in higher prices. If the payroll tax increase is absorbed by employers and reflected in lower profits and dividends, its effects would be similar to an increase in business income taxes. If the tax is shifted backward and reflected in lower wages its effects would be roughly equivalent to a rise in the personal income tax of a kind that impinges on labor income.

Forward shifting and stagflation

Evidence on what actually happens is somewhat sketchy. However, there is a growing number of economists who believe that considerable forward shifting does, in fact, take place. Where business sets prices by a fixed percentage markup over costs, a rise in payroll taxes will raise the prices of goods and services in the short run because employers will view such tax increases as increases in their labor costs. Increases in payroll taxes may therefore contribute to inflation. In addition, since the rise in prices reduces consumer real income, total consumer demand will decline in real terms and this will reduce production and employment. Therefore, rising payroll taxes may be one source of stagflation, as the simultaneous presence of inflation and high unemployment has come to be called.

Computer simulation studies conducted by the staff compared the effect of a rise in employer payroll taxes with an equal increase in the personal income tax. The simulations

showed that the payroll tax, if shifted forward, reduces employment by twice as much as an equivalent yield increase in the personal income tax. Moreover, the payroll tax increase raises the rate of inflation in the short run, whereas the income tax increase tends to lower it.¹

Reliable quantitative estimates of the impact of increased payroll taxes on prices and employment require more information on the shifting of the tax burden than is presently available. However, it is important to recognize that payroll taxes will have adverse effects on production and employment regardless of whether and how they are shifted. It is therefore desirable to avoid increasing these taxes during a period of economic slack.

III. EMERGENCY FINANCIAL ASSISTANCE FOR SOCIAL INSURANCE PROGRAMS

The financial position of the social insurance trust funds creates a serious dilemma for policy. Many trust fund accounts are in debt or badly depleted and in need of additional receipts; but the added payroll taxes that could provide these receipts would be harmful to the recovery and might add to inflation as well.

In principle, social insurance trust fund accounts should accumulate surpluses during periods of prosperity when unemployment is low, whereas benefit payments should exceed contributions during recession when unemployment is high. Financial soundness of the programs suggests that tax rates and bases should be set at levels that provide approximate balance between receipts and outflows over an extended period of time. This implies that tax rates and wage bases would be established in harmony with the anticipated average level of unemployment expected over that period. Long-run balance would then be attainable without necessitating tax increases during moderate recessions such as those experienced between 1945 and 1973.

Abnormal recession loss

The current recession is abnormal in comparison with earlier postwar recessions. As a consequence of this, the trust fund accounts have been much more severely depleted than had been anticipated. As a result, the tax rates that would be needed to catch up with and overcome the cumulative deficits would be so burdensome that they would act as a serious impediment to recovery and price stability in the next decade. Recovery would then require that other fiscal measures such as income tax reduction and/or expenditure expansion be used to offset the adverse impact of the higher payroll taxes. Elimination of the trust fund deficits would therefore merely change the composition of the budget deficit without having much effect on its overall magnitude.

Mr. EAGLETON. Mr. President, I am finished with what I have to say on this. I think the Senator from Wisconsin wishes to move to table my motion to report back forthwith.

Mr. DOLE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DOLE. Mr. President, does a motion to postpone take precedence over a motion to recommit?

The PRESIDING OFFICER. It does. The Chair advises that it does.

Mr. NELSON. Mr. President, there is no time limitation on this, I understand.

The PRESIDING OFFICER. No, there is no time limitation.

Mr. NELSON. Mr. President, I move—

Mr. BELLMON. Will the Senator withhold that motion?

Mr. CURTIS. Yes, I would like to say something.

Mr. NELSON. Yes.

Mr. BELLMON. Mr. President, I ask the Senator from Missouri if he would consider accepting a modification for his motion so that the report back would come in January?

Mr. EAGLETON. That was my original idea, I say to the Senator from Oklahoma. I had that in mind and then I was advised that that would look like I was not willing to face up to the issue here and now. So I changed gears and made it forthwith.

Once that matter is tabled, as I presume it will be, perhaps another motion to recommit, or commit, rather, and report back in January or February would be in order.

I would prefer to go to bat on mine right now and get my defeat out of the way.

Mr. CURTIS. Mr. President, who has the floor?

The PRESIDING OFFICER. The Senator from Nebraska is recognized.

Mr. CURTIS. Mr. President, I hope that the motion of the distinguished Senator from Missouri will not prevail. I commend him for his forthrightness and his intellectual honesty in laying right out on the table what he has in mind.

We have a problem in social security. In people's anger, they say, "Oh, the system is failing," and so on. Well, it is not much different than it always has been. It has never been a paid-up annuity. They have collected from the workers and self-employed and the employers enough to pay for those who were not working. But, in the meantime, we voted a great many benefits and increased benefits and have not collected enough money.

Now we will receive about \$82 billion in the fund. This year we are short \$6 billion. But if we go on having a shortage of \$6 billion this year and more next year, and so on, there is nothing but disaster ahead.

The Senator from Nebraska believes a half percent increase in taxes on employer and employee would take care of many of our long-range problems.

Frankly, I think that is the smartest political vote anyone can make. But I am not sure the Senate is ready to vote on any such arrangement.

But, above all, we should not vote to finance social security out of the general fund.

I commend the distinguished Senator. He says that he has no notion that we will levy taxes to flow into the general fund, but rather, that we will finance this by increasing the deficit and the national debt.

Are we ready to send word to the people out over the land, the social security beneficiaries and others, that we are going to pay their social security by merely voting a bigger deficit?

I do not think this Senate is ready to

do that and I hope that they will turn this down with an overwhelming vote.

Mr. President, increasing taxes is so painful that there is a tendency to want to run away from it.

Somebody says, "Let's take it out of the general fund." Somebody else, says, "Let's soak the employers." Somebody has suggested that we change the retirement age. To change the retirement age and do it fairly, there would have to be enough lead time so that it would not affect anyone for a long, long time, and that would not help our financial program. Many of us never want to retire and probably never will. But what about a man who has worked hard all his life, who has earned his living with his hands, has worked at a hard job and possibly a disagreeable job, who has looked forward to retirement at 65, who hears over the news or reads in the newspaper that the politicians, instead of facing the realities of the cost of social security, are going to change the rules and that he cannot retire until he is 68? Is that fair?

It is true that we are living longer, and sometimes retirement is not good for people. If we make that change, it should have enough lead time so that it does not affect the person who is halfway toward retirement, but it should be invoked far down the line.

There is also a tendency to want to juggle figures within the system. Right now, we are collecting a little more money than we need in the health insurance fund that pays medicare. The transfer of those funds or the excess over to the retirement and disability funds would meet our needs for a few years. That still stays out of the general fund. It does not tip the balance between employer and employee, but even at that, it does not solve the problem.

I am not too critical of those who do not want to act on this bill at this time. It is confusing. I think they were entitled to have the Finance Committee recommend something. But we never have been able to get a majority vote on anything. The most votes that any proposal got was 9, and there are 18 members.

Mr. President, let us work our will as best we can; or, if the committee should deliberate more and call in people, that is all right. But let us not here, in a period of unrest, with adjournment pending, vote to change the whole concept of social security. Individuals have drawn that social security check with dignity. They have not felt that they were on welfare, because everybody pays. It is self-contributing. The employers pay half and the employees pay half. That is worth hanging on to.

Mr. LONG. Mr. President, will the Senator yield?

Mr. CURTIS. I am happy to yield to the distinguished chairman.

Mr. LONG. The Senator made reference to the desirability of the committee recommending something. It is well to point out that, while the committee reached a tie vote between the approach advocated by the Senator from Wisconsin (Mr. NELSON) and that of the Senator from Nebraska (Mr. CURTIS), never-

¹ See U.S. Senate Committee on the Budget, *Budget Issues*, "Policies To Reduce Inflation," June 1976, pp. 16-18, for quantitative estimates of the unemployment and inflation effects of alternative policies and discussion of the effect of payroll tax changes on the economy.

theless, I think the committee was overwhelming in feeling that one of the two should be approved. The Curtis proposal is the traditional approach that has been used for a number of years.

Mr. CURTIS. I think the record should be corrected in that regard. What I should have said is that those of us who had the benefit of the hearings and worked for this for sometime should have striven a little harder to get a substantial majority in support.

Mr. LONG. Let me make it clear that even though I will vote to support the position of the present manager of the bill, Mr. NELSON, if the Curtis amendment should carry I will still very cheerfully and enthusiastically support the bill. It does not bother me particularly which of these two approaches we use, provided we are responsible and undertake to raise the money to pay for these benefits.

What I think we should avoid more than anything else is what they did in England, where they would in effect pay for the benefits out of inflation.

That is basically what you are doing when you try to finance a social security program with deficit financing. Some people say, "Pay for social security out of the general revenue." But there is no general revenue to pay for it.

Mr. CURTIS. That is right.

Mr. LONG. The general revenue funds this year are minus \$60 billion. So all one can do, if he says not to put the tax money up and pay for it out of our pockets, is to tell the Federal Reserve to print more money. After a while, you will find that you cannot run the printing presses as fast as the value of your money declines, and you will meet yourself coming back.

If we want to avoid the mistake that imperiled Britain, before it began to move back toward fiscal responsibility, we had better not get into that trap to begin with.

Mr. CURTIS. I thank the distinguished Senator.

Mr. GOLDWATER. Mr. President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. GOLDWATER. Mr. President, at this point in the debate, I should like to have a few questions cleared up that have been bothering me for a good number of years. I think that with the chairman of the Finance Committee, the chairman of the subcommittee, and the ranking Republican, I should be able to get an answer which I have not been able to get from downtown.

In the last 4 or 5 years, we have had several commissions meet on the subject of social security. Some of them have said that social security is in no danger. Others have said that social security is in danger.

Last week or 10 days ago, in Arizona, the minority leader of the House said that the social security fund was more than \$3 trillion in the red. I cannot verify that one way or the other. I should like to have these very simple questions answered.

First, where are funds held?

Mr. CURTIS. The reserve is held in the Treasury of the United States, in a special account, in Government bonds.

In the opinion of the Senator from Nebraska, there is no place else to put them.

Mr. GOLDWATER. Has the Senator ever verified that?

Mr. CURTIS. I beg the Senator's pardon.

Mr. GOLDWATER. Has this ever been verified?

Mr. CURTIS. No. I have not gone down there and looked around.

[Laughter.]

Mr. GOLDWATER. Has any member of the committee or the committee staff actually seen any bookkeeping that would say, "X billions of dollars are held in Government bonds"?

Mr. NELSON. There is an annual trustees' report filed each year on the status in each of the four funds.

Mr. GOLDWATER. Where is it filed? I have asked the Social Security for these answers, and I have not received them, and they do bother me.

The purpose of my questioning is not to be critical—I think that period passed long ago—but to find what the truth is before we embark on a long, extended period of debate which intends to solve a social security problem, if one exists, and I think it does.

Are the members of the committee satisfied that there is money in the social security account to pay the recipients of social security?

Mr. CURTIS. I am told there is enough money in there, together with what will come in, to pay through 1983. The present reserve, plus anticipated receipts, will carry us through to 1983.

Mr. GOLDWATER. When this social security system started, if my memory is correct, the theory was that every four people donating to social security—I should say investing in social security, because it is not a donation—would support one recipient. Is that the correct formula?

Mr. CURTIS. I am informed that it is about 3 to 1 now, and in 25 years it will be 2 to 1.

Mr. GOLDWATER. I thought it was less than 3 to 1 now. That would have been my next question. In fact is it not approaching 1 to 1?

Mr. CURTIS. Not yet.

Mr. GOLDWATER. Not yet. But we are coming to that.

Mr. CURTIS. That depends on what Congress does.

One of the most distinguished men who ever served in this body was a gentleman from New England, Senator Saltonstall. He was not one of those hardline Arizona conservatives.

Mr. GOLDWATER. He was a conservative, though.

Mr. CURTIS. But he was a responsive, progressive individual who sometimes voted more liberally than I could. But he came before the Finance Committee and said: "Do not enact medicare and pay for it by the social security payroll tax." He went further. He said, "It will take all that tax can bear for a decent retirement amount."

He was so right.

And today we are adding on to the social security tax of every worker in the land to pay the hospital and medical bill of the wealthiest people in the country

if they happen to be over 65, and many people over 65 are better off than they have ever been in their lives. Senator Saltonstall was so right.

Mr. GOLDWATER. Just one more question. I did not want to get off into that subject. I happen to agree with Senator Saltonstall. He was one of my idols when I came here as a relatively young man many years ago, and he has been proven right time and again.

What concerns me—and I think we should level with the American people—is we are going to sit here and have a lot of debate, a lot of rhetoric, and we are not going to do much about the situation involving social security in my opinion. In my humble opinion, the social security fund is nearly bankrupt and some might even argue that it is that way today.

I have no way of proving it, and when I find that the committee can only offer the fact that an annual report is made, I take their word for it, but I still believe that we have to do something far more than we are aiming at. This is another reason I think that the suggestion made by the Senator from Oklahoma and many others bears fruit that this bill should go back for full hearings and it should not be reported back to this body until we have something meaningful to offer the American people, not just upping the taxes—taxes are way too high now—but making sure that we can say to all of us, to all people who are looking forward to social security being recipients in their older ages that they are going to get the money. This really disturbs me because social security, in my opinion, is not the only retirement fund in trouble, but it is one fund that should not be in trouble because this money was never intended to be used for any other purpose than to pay back the people who paid it in. It is not like tax funds. It is not in the general fund. It is there to pay the people back who wanted to invest in it for a retirement. So I think we should level with the American people, and I hope throughout this debate we can keep getting back to this one question. What is the shape we are in? I happen to think it is pretty bad.

Mr. NELSON addressed the Chair.

Mr. CURTIS. Mr. President, I think the Senator from Nebraska has the floor.

I wish to reply to that. The situation is bad; there is no question about that. Anytime you have an operation that is running behind \$5 billion a year and going to run behind more in the future unless we do something, it is bad.

One of the mistakes that have been made is that social security was conceived as a plan whereby people paid in their taxes and their employer paid in his taxes and that money would be held and it would grow and pay their benefit. It has never been that. It is a social program levying a tax on everyone who works to pay a social benefit to those who do not.

Some years ago when Commissioner Cohen appeared before our committee, he and I disagreed on many items of social security, but he would always give you an answer. He was honest as he saw it. I said:

What assurance do the future beneficiaries have that they will ever get their benefits?

He said:

The assurance is that a particular generation of taxpayers will tax themselves to pay it.

And that is honest.

Now we have reached a point where people say, "We do not want to pay it any more."

I think that much of the blame belongs to the politicians who have gone out and told the people, "This is an insurance plan, this money is there, it is going to pay your benefit," rather than telling them that this is a tax, and this is the reason that you find the social security tax in two places in the book. The social security tax can be found in the Internal Revenue Code and also in the social security provisions.

It is not an insurance plan at all. Maybe it should have been. I do not know. I believe if they had and the Government had collected all this money and held it and caused it to grow until people got old enough to retire pretty soon the Social Security Administrator would have sufficient wealth at his command so that, if he invested it in anything other than Government bonds, he would have controlled every corporation in the land. The Government cannot run a business. They never have been able to.

But all of those theories are just theories at this point.

We come back to the pending business of the move by the distinguished Senator from Missouri and the issue is clearcut: Shall we pay social security benefits from the general fund under an understanding that we will not increase the general fund but will merely add to the deficit and to the debt? I think it would be well that the Senate have a vote on that and find out.

The Senator from Nebraska has voted against so many social security benefit bills that I have never been in a campaign where I have not had to defend the position that I was against all social security.

Just before the 1972 election, we had a vote to raise benefits by 20 percent. That vote is part of our trouble today. A distinguished Member of the other body sent us a bill to increase benefits by 5 percent and made a tax adjustment for it. In the meantime someone whispered to him that he could be President of the United States and so he announced, "I am for a 20-percent increase, and my original tax computations will take care of it." They did not. We are \$6 billion short this year. I voted against that on the eve of my last election, but I tell you it gives me a good feeling. I sleep better about these things.

I believe with Senator Saltonstall that we should not tax the workers of the land to pay hospital medical bills for everyone just because they happened to be born at a certain time. That is part of our trouble. But I am not here to spend my time telling you "I told you so."

Mr. MORGAN. Mr. President, will the Senator yield?

Mr. CURTIS. I will yield in just a moment.

A few minutes ago I was called to the telephone, and one of the broadcasting

networks asked me my position on this bill. I told them. Their representative said:

Well, Senator, if it goes on like this we are going to have the welfare state in a few years.

I said:

My good man, we have had it for years. The bill is just now coming in.

The trouble with the alarm back home is that it is 10 or 15 years late. I am not critical of the people because they did not get the facts.

Now I yield.

Mr. MORGAN. The Senator alluded to the fact that in 1972 before the election Congress increased the benefits by 20 percent. I wonder, perhaps, if that is one of the reasons why the increased taxes recommended in this bill do not become effective next year, which just happens to be an election year, but are put off until the following year? Do you think maybe the election year had something to do with it?

Mr. CURTIS. I do not think there is any question about it.

Mr. MORGAN. The fact that we are not in need of the increased taxes sufficiently to put them in effect immediately, would that not indicate that the urgency of this bill is not such that it would require us to act immediately?

Mr. CURTIS. A part of the Senator's question for answer should be directed to the Budget Committee. I think they have some ideas on that.

But while I have no objection to current increases in taxes with enough lead-time to inform everybody, this Congress has not done that well in the past. In the 1976 tax act we taxed a lot of people retroactively on some transactions that were just morally wrong.

So I have no objection whatsoever to moving the date up. I do think it should be far enough in advance for people to know and make adjustment, and never retroactively.

But I think that represents a feeling that it is bad politics to raise taxes. Well, it is. It is kind of difficult. But I think it is worse politics to say to the American people that we are going to run away from this problem, we are going to try to figure some way out of the mess so it will not be necessary.

Mr. DANFORTH and Mr. MORGAN addressed the Chair.

Mr. DANFORTH. Mr. President, will the Senator yield for a unanimous-consent request?

The PRESIDING OFFICER. The Chair heard first the request of the Senator from North Carolina.

Mr. MORGAN. Mr. President, I yield to the Senator from Missouri for the purpose of making a unanimous-consent request.

Mr. DANFORTH. Mr. President, I ask unanimous consent that Jeff Marston of Senator HAYAKAWA's staff be extended privileges of the floor during the proceedings on this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MORGAN. Mr. President, I shall not speak very long, but I am vitally con-

cerned about the matter that is now pending before us because I do not believe there is any program that has ever been enacted in the history of the Congress that has been more meaningful to the people of America than the social security program.

I travelled the byways and highways of my State and of the Nation, and it is a program in which the people take a great deal of pride. They do not consider it—as the distinguished Senator from Nebraska mentioned—as a social program. They consider it an investment that they made for their future. I do not begrudge them 1 penny we pay them. In fact, I support it.

I said in the beginning, Mr. President, that as a State senator in North Carolina I probably voted for more expenditures than any member of the State Senate of North Carolina during the period of time I was there.

But, Mr. President, I never voted for expenditures where I was not willing to vote for taxes to pay for them, and that is something I find totally and completely lacking in this Congress.

Just this past week we passed a so-called energy bill that is going to cost the taxpayers \$40 billion. But nobody seemed to be concerned about where the money was coming from. "Oh, just leave it to the Finance Committee. We will work it out with the conference committee. It will all come out in the wash. Take our word for it."

That was at a time when we already are some \$50 billion to \$60 billion in the red in this Congress, and now I do not know where we are going to come out.

Now we are saying we have to have more money. I am ready and willing to vote the necessary taxes to carry on the social security program in the way in which it was intended to be carried out. But it ought to be done on a permanent basis, with a full understanding of what we are doing.

Mr. President, this afternoon, since I have been sitting here, the Committee on Finance bill has been placed on my desk. For several days we have been trying to find out what was in it. We were told by one of the staff members of the Committee on Finance, "You do not need the printed language of the bill to know whether or not you are going to vote for it." I guess we were supposed to find out from the newspapers, and I did find out some of the things from a newspaper in North Carolina this morning.

When I arrived at my desk I had a call from Tabor City from a small businessman who said:

We were down at the coffee shop this morning for a coffee break, and we read in the Charlotte paper where the employers are now going to have to begin to pay a greater share of the unemployment tax.

He said:

Senator, we are having to pay unemployment taxes; we are having to pay social security taxes. We are about taxed out of business. I run a small florist shop with 15 employees, and I cannot stand much more.

But here we are with a bill delivered to my desk at 1:30, and we are supposed to be able to pass intelligently on this

bill. I know what the answer is, "Oh, leave it to the conference committee."

What is the conference committee doing now on the energy proposal? Nobody knows. I suspect when we vote to ratify them that we will not really know what is in those conference reports.

I say if there is no more urgency or if the urgency for new taxes is not sufficient to put the taxes into effect until after next year's election, then the urgency to consider this bill is not sufficient for us to have to vote on it and pass on it when we have had it in our possession for about 1½ hours.

I think it is an insult to the Members of the Senate. I have had mail on this, perhaps as much or more mail on this piece of legislation and on this program as any other I have had, except for the controversial issue of the Panama Canal. But we are going to rush pell-mell into it. We are going to complete it this week.

One of the provisions in this bill, I am told—I have not been able to find it in the hour and a half it has been here—is to correct a technical error that was made when the bill was passed 5 years ago. They called it a technical amendment. It is necessary, we were told, only because Congress made a mistake 5 years ago.

Well, if we pass this bill this week we are going to be making some more technical mistakes and more technical errors, and they are going to have to be corrected somewhere down the line.

I agree with a great deal that my distinguished colleague from Missouri had to say in his remarks concerning the motion that he made. But I cannot agree with him, and I do not agree with those who say we ought to go into the general revenue fund to support a program that was intended and meant to be self-sustaining. They say, "Oh, it is temporary." I challenge you to show me a half dozen temporary programs that have ever been enacted by Congress or by the Senate that have ever been repealed.

If we ever get into the general revenue program then you are going to have a real social program. If we ever get away from the idea that the employee and the employer are to pay the taxes in equal amounts, then again you are going to find a greater and a greater demand every election year to raise the benefits because the employer is paying the greater share.

Mr. President, I respect my leadership, and I know the leadership has a job to do. We have legislation to get out of the Senate. But there comes a time when I just think we ought to stop and say, "We are not going to go into this matter until we know what it is all about," and if it means staying here until Christmas day, then, fine, I do not mind staying here until Christmas day. I would rather not do it, but I think it is important that we do that, if necessary, so that we will have some understanding of what is going on.

So I am going to vote, whenever the time comes and in whatever way, against the Senator from Missouri's motion to commit mainly because I do not believe we ought to go into the general revenue

fund. But I am prepared to vote to postpone or to commit or to stay here until Christmas day until we come out with a social security bill that will have the confidence of the people of this Nation.

Mr. EAGLETON. Mr. President, I shall speak for about a minute or a minute and a half, and then, if no other Senator wishes to speak, I presume Senator NELSON will make his motion to table my motion to commit.

Senator LONG, Senator CURTIS, and Senator GOLDWATER, in succession, had a brief colloquy with respect to being candid with the American people. Mr. GOLDWATER said he wanted to level with the American people. I think that is commendable, and I think that is what we should do.

So let me level with the American people as to what the result will be if we pass either the Nelson plan or the Curtis plan, because we will have a vote on the Curtis plan sometime today or tomorrow.

If either of those plans is adopted, we go to conference with the House of Representatives, and the social security bill comes back from the conference, it is inevitable that next spring, maybe in March or April or so, there will have to be a tax cut in order to rectify the negative economic impact that will come about as a result of either the Nelson or the Curtis plan, or the House plan.

So let us do level with the American people. Once these plans are adopted, at the end of this calendar year, 1977, there is going to have to be and President Carter will have to recommend some form of tax cuts to counteract what we are doing from a negative economic point of view.

Mr. President, that is leveling with the American people. What is not leveling with the American people is to pretend that we do not want to put general revenue into this fund, and it is insurance, and all of the other appropriate clichés. The most forthright, direct, and candid way to level with the American people is to say, at the time when we are discussing social security, when there is an unacceptably high level of unemployment, as there is now, of 6.9 percent or 7 percent, during that unacceptably high unemployment period some general revenues will be used to shore up the fund and—further leveling with the American people—that if we do not do that, we are going to have to have, 3 months or 6 months later, a tax cut to make up for the adverse economic impact of either the Nelson plan, the Curtis plan, or the House plan.

So, from my point of view, recommitting the bill with instructions that the committee report back forthwith a general revenue provision of not less than 4 percent of the total amount of the bill, is the most direct, straightforward, and candid way to level with the American people.

Mr. President, I have said all I intend to say.

The PRESIDING OFFICER (Mr. HARRY F. BYRD, JR.). The Senator from Kansas.

Mr. DOLE. Mr. President, the Senator from Kansas, as a member of the

Senate Finance Committee and also the Senate Budget Committee, agrees with nearly everything the distinguished Senator from Missouri has said except as to the method he would finance the program.

The Finance Committee has discussed what the Senator from Missouri proposes. It has been rejected; and in its place we now have the proposal of the distinguished Senator from Wisconsin and the proposal of the distinguished Senator from Nebraska, which will be offered either this year or next year as an amendment.

As you look at the House version and the Senate version of the bill, my attention has been called to a comment published today by the Chamber of Commerce of the United States, which does represent the business community in many areas. The comment states that the House version of the social security tax bill is preferable to the Senate version. The Senate bill would slow economic growth, reduce family income and the number of jobs available. This opinion, the article indicates, is based on data provided by chief economist Jack Carlson of the Chamber of Commerce, who cites certain data developed in the national chamber forecasting center, by comparing the economic impact of both bills on each of the 50 States and the District of Columbia.

Mr. Carlson states, among other things, that because the investment would be less and inflation somewhat higher, the Finance Committee bill would cause the economy to grow slower by 0.8 percent by 1980; family income would be \$272 lower, and there would be 400,000 fewer jobs. He indicates that each State would be better off with the House provision for taxing employers and employees equally. He states that New York would suffer a \$222 loss of family income under the House bill, and would suffer a \$303 loss under the Senate Finance Committee substitute bill.

He states, based on data available to the Chamber of Commerce forecasting center, that the loss of jobs in New York would be about 28,000 under the Senate bill, and also indicates that regionally, the northern industrial States would suffer more than the Southern and Western States.

This is a statement by an expert in his field, and I think perhaps these are statistics that we should take notice of.

The Senator from Kansas does not know of any easy way to get out of the dilemma we are in, whether or not we postpone action until next year. I think the one advantage postponement would be to give the American people an opportunity to see just what the Congress has in mind for them.

I would also commend the Finance Committee, particularly Senators NELSON and CURTIS, for trying to come up with a proposal—especially when there was the very close vote in committee, 9 to 9. That could be brought to the Senate floor. It seems to me that any way the Senate acts will be met with some disfavor, because we are going to have to increase taxes, and whether we do it

directly or indirectly, as the Senator from Missouri suggests, probably does not make too much difference.

Mr. MORGAN. Mr. President, will the Senator yield for a question?

Mr. DOLE. Yes.

Mr. MORGAN. Since the Senator from Kansas sits on the Finance Committee, I wonder if he could help me interpret an article I read in the morning paper about a \$400 million fiscal relief measure in the bill, which I am unable to understand. Will he tell me how it relates to the social security tax?

Mr. DOLE. Well, the Senator from Kansas probably cannot explain it as well as the Senator from New York, who offered the proposal. I understand the final figure was agreed upon after some consideration in the committee. It is really only \$374 million; I think there has been some increase since that statement, particularly since the news story appeared, but there is now an actual computation.

It is money that goes back to the States, which according to the formula would be about \$374 million. The amount is the result of negotiation between the Senator from New York (Mr. MOYNIHAN), the Secretary of HEW, Mr. Callahan, and the Senator from Louisiana (Mr. Long).

The Senator from Kansas was not privy to that discussion. I am not sure whether the Senator from Wisconsin was there when this matter was discussed. But it was, however, a part of the package and added to the social security bill. Beyond that, the Senator from Kansas cannot enlighten the Senator from North Carolina.

Mr. MORGAN. I thank the distinguished Senator.

Mr. DOLE. I might just say that hundreds of millions of dollars never seem to faze us much in the Senate Finance Committee. As the Senator from North Carolina pointed out, we voted last week to tax the American people, or to give away—someone has to pay for it—\$40 billion, and that is a conservative estimate. The Senator from Kansas did not vote for that bill, because I had the same fear expressed by the Senator from North Carolina. The energy bill has to go to conference, and someone is going to pay. No one can pay but the American people, and I have not had many letters this year saying, "Please vote to raise my taxes." Maybe I have not read all my mail, but I cannot remember a single letter to the Senator from Kansas saying, "Senator, please vote to raise my taxes." But even without those letters, we are going to raise their taxes on energy, we are going to raise their taxes on social security, we are going to have welfare reform next year and tax reform next year, and all in all, this is becoming a very taxing administration.

Mr. MORGAN. I might say to the Senator from Kansas that North Carolina operates, and has for generations, on a balanced budget. We provide benefits and we pay for them. I might say to the Senator, as a result of it, unemployment in North Carolina was 4.5 percent just recently. This very week, one of the work incentive programs, designed to provide welfare recipients with jobs, was

determined to be one of the best in the Nation. I cannot help but believe that a part of those benefits flows from the policy of operating on a sound fiscal basis.

Mr. DOLE. I certainly agree with the Senator from North Carolina. I have learned more and more about what a great State North Carolina is.

Mr. MORGAN. Will the Senator from Wisconsin explain the \$400 million package, what the purposes of it are, and how it works?

Mr. NELSON. That is not part of the social security package. I am only handling social security. The Senator is talking about an amendment to another part of the bill before the Senate.

Mr. MORGAN. Is it an amendment to the bill which is pending now, or is it an amendment which came out of the Finance Committee? I am going by the Washington Post, which is not always authoritative.

Mr. NELSON. I do not have any material on that amendment since I am only handling the social security tax aspects of the bill.

Mr. MORGAN. I appreciate the position of the distinguished Senator.

What I am trying to say is that this bill contains so much and we have had so little time to digest it, that is one more reason why we should delay it. It also points up the fallacy of the statement made to my staff member by one of the Finance staff members that you really do not have to go through a bill to find out whether one is for it or not.

Mr. NELSON. That particular bill is a welfare fiscal relief proposal. It was a separate piece of legislation added to the social security bill after some lengthy negotiations with the Carter administration, in which I was not in any way involved. The Senator is referring to that legislation. It is not part of the social security legislation we are talking about. It is merely an amendment to it. My preference would have been to handle it separately.

Mr. MORGAN. I am somewhat a neophyte in the procedures of the Senate, but it would appear to me that this is a matter which probably should be considered by the Appropriations Committee. Does that make any kind of sense to the distinguished Senator? That is, rather than being considered by the Finance Committee.

Mr. NELSON. Once it is authorized, the money will have to be approved by the Appropriations Committee. The Finance Committee is the appropriate committee.

Mr. MORGAN. If I can pursue it a little further, maybe the Human Resources Committee would be more properly the authorizing committee.

Mr. NELSON. As a matter of fact, the welfare reform legislation has been referred to both the Human Resources Committee and the Finance Committee. But the Finance Committee is responsible for those aspects of the legislation which involve taxes and welfare benefits.

Mr. MORGAN. But normally speaking, an appropriation of \$400 million for fiscal relief would normally have been authorized by the Human Resources Committee?

Mr. NELSON. No.

Mr. MORGAN. The Finance Committee would normally be the authorizing committee?

Mr. NELSON. Yes.

Mr. MORGAN. That would be for operating the local welfare departments and the State welfare departments? The Finance Committee has more expertise than the Human Resources Committee?

Mr. NELSON. That is within the Finance Committee.

Mr. President, I move to lay this motion on the table, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the motion of the Senator from Missouri. The yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Iowa (Mr. CULVER), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Hawaii (Mr. INOUE), the Senator from Arkansas (Mr. McCLELLAN), and the Senator from Montana (Mr. MELCHER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "yea."

Mr. STEVENS. I announce that the Senator from Utah (Mr. GARN), and the Senator from New Mexico (Mr. SCHMITT) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The result was announced—yeas 74, nays 16, as follows:

[Rollcall Vote No. 608 Leg.]

YEAS—74

Allen	Griffin	Nelson
Baker	Hansen	Nunn
Bartlett	Hart	Pearson
Bellmon	Hatch	Pell
Bentsen	Hatfield	Percy
Biden	Hayakawa	Proxmire
Brooke	Heinz	Randolph
Burdick	Helms	Ribicoff
Byrd	Hollings	Roth
Harry F., Jr.	Huddleston	Sarbanes
Byrd, Robert C.	Javits	Sasser
Cannon	Johnston	Schweiker
Case	Kennedy	Sparkman
Chafee	Laxalt	Stafford
Chiles	Leahy	Stennis
Church	Long	Stevens
Cranston	Lugar	Stone
Curtis	Magnuson	Talmadge
Danforth	Mathias	Thurmond
Dole	Matsunaga	Tower
Domenici	McClure	Wallop
Eastland	McIntyre	Welcker
Ford	Metzenbaum	Williams
Goldwater	Morgan	Young
Gravel	Moynihan	Zorinsky

NAYS—16

Abourezk	Eagleton	Metcalf
Anderson	Glenn	Packwood
Bayh	Haskell	Riegle
Clark	Hathaway	Stevenson
DeConcini	Jackson	
Durkin	McGovern	

NOT VOTING—10

Bumpers	Inouye	Schmitt
Culver	McClellan	Scott
Garn	McClcher	
Humphrey	Muskie	

So the motion to lay on the table the motion to commit was agreed to.

Mr. NELSON. Mr. President, I move to reconsider the vote by which the motion to table was agreed to.

Mr. CURTIS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. CURTIS. Mr. President, I ask unanimous consent that Mr. Gerry Rosen of Senator GRIFFIN's staff, Alan Holmer and John Colvin of Senator PACKWOOD's staff, be granted privilege of the floor during consideration of this measure and voting.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I ask unanimous consent that Gale Picker of Senator BENTSEN's staff be granted privilege of the floor during the course of the consideration of this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DECONCINI. Mr. President, I ask unanimous consent that Romano Romani and John Mulkey of my staff be granted privilege of the floor during consideration of this issue and votes.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DURKIN. Mr. President, a similar request for Claire Engers of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THURMOND. Mr. President, I ask unanimous consent that Hargrave McElroy, of my staff, be granted privilege of the floor during debate and votes on the social security financing bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HEINZ. Mr. President, I ask unanimous consent that Connie Maffin, of my staff, be granted privilege of the floor during any business undertaken today.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS. Mr. President, I ask unanimous consent that a member of Senator HANSEN's staff, Margo Carlisle, be accorded the privilege of the floor during discussion of H.R. 9346 and votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CURTIS addressed the Chair.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, I seek recognition, and I would appreciate having the attention of Senators.

The PRESIDING OFFICER. The Senate is not in order. Will the Senator from Nebraska delay until the Senate is in order?

Would the Senators in the aisles take their seats?

The Senator from Nebraska.

Mr. CURTIS. Mr. President, I will be introducing an amendment which will meet this problem, social security financing, by raising the tax rate on employers and employees by a half of 1 percent, half on each one.

Mr. President, this amendment will be submitted today. I am perfectly willing that we agree on a time to dispose of it tomorrow, but I would want a little while to discuss it again tomorrow.

But at this point, I ask unanimous consent that a memorandum prepared by me, entitled "Social Security Financing," which discusses the problem, the suggested solutions, desirable guidelines, and some of the characteristics of the program, which contains the rationale for my amendment be printed in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

SOCIAL SECURITY FINANCING PROBLEM

This year the Social Security Fund will pay out about six billion dollars more than it takes in. Next year it is expected to be a little larger deficit and there are long range deficiencies.

SUGGESTED SOLUTIONS

Payments From the General Fund.—The objections to this are self-evident. The General Fund has such a huge deficit—it would also make the program a welfare program rather than a self-financing retirement program.

Overload the Employers.—The majority opinion on the Finance Committee would have you raise on employers only the present wage base of \$16,500 per year to \$50,000 in 1979 and then within a few years to \$75,000. This will place an intolerable burden on employers. It will discriminate against employers who have a sizeable portion of their employees in high-paying brackets. It would be very burdensome on colleges, universities, states and municipalities and on mutual life insurance companies. It violates the long-practiced pattern of equal sharing of the load between employers and employees.

Overload the Middle Class.—The present wage base to which the tax is applied is \$16,500. When a financial need is met by increasing the wage base, as contrasted to raising the tax, the burden falls upon about 17 percent of the higher paid employees. An example of these factors can be illustrated as follows:

Under existing law the wage base will automatically be increased to \$23,400 per year in the year 1982. Under the House bill they would raise this to \$31,800. This \$8,400 increase would mean a raise in social security taxes for the employees affected by this raise of about \$529.00 per year. It would not mean any raise for those employees who are paid less than the current wage base. In contrast, if in 1982 the employee receiving \$23,400 had his tax raised one-half of one percent, his increase would only be \$117. It would mean that there would be an increase in tax for all social security taxpayers. The justification for that is mentioned below.

Transfer of Funds.—Right now the health insurance fund which finances medicare is having a slight surplus while the retirement and disability fund has the deficit. A transfer of funds would relieve the present deficit but then both funds would run out of money in their reserves at the same time four or five years from now.

DESIRABLE GUIDELINES

Retirement benefits now are received by our people with dignity because it is a self-contributory system. The people are uneasy by reason of the present problems in financing. We need to restore their confidence. This involves the confidence of people of all ages and is not limited to the retired or those who will retire in a few years. It may be that a courageous and forthright position on social security financing will be a political plus rather than a political liability. The guide-

lines that have been followed for almost four decades have been based upon these principles:

1. Everybody pays.
2. There are no general funds involved to make it a welfare program.
3. Employers and employees each carried one-half of the load of the system.

BALANCE IN THE PROGRAM

The Social Security program has been constructed to tip a balance in favor of the lower paid workers. The benefit schedule gives the best bargain to the lower paid. The lower paid worker or self-employed person gets more for the dollar he pays in than the higher paid employee. This is as it should be. Also, it must be remembered that a few years ago the Committee on Finance caused the "Earned Income Credit" to be enacted. Every employee or self-employed person gets a credit on his income tax of ten-percent of his earned income (not ten percent of his tax) to a limit of \$4,000. The credit is reduced by 10 percent of adjusted gross income in excess of \$4,000. This was enacted for a dual purpose. It was to reward the person who works as compared to the person who is on welfare or has other income, and secondly, it is based on the fact that there are no personal exemptions in applying the social security tax and, in a sense, it reimburses the low-paid person for the social security tax that he has paid. These two balancing factors should be considered when an effort is being made to increase revenues by changing the rate of taxation as contrasted to raising the wage base.

Mr. President I believe that this financial need of the social security system should be met in a forthright manner and I have two proposals either of which would do that.

Curtis plan No. 1: A half of a percent tax increase on both employer and employee, together with the other changes which are not in controversy, would meet the present deficit and the long-range needs of the program. This could be done by imposing a raise of .2% in taxes in 1979 and a .3% in 1980.

Curtis Plan No. 2: This is a combination of tax rate increase and wage base increase. It calls for a .25% tax increase in 1979 plus four increases in the wage base for both employer and employees of \$600 each (in 1979; 1981, 1983, and 1985). This, too, would meet the immediate and long-range needs.

Mr. CURTIS. Mr. President, my amendment is simple. It would increase the tax by one-half percent on employers and increase the tax by one-half on employees.

My purpose in printing this memorandum in the RECORD is so that the Members reading the RECORD in the morning will be able to understand what is being proposed.

Mr. ZORINSKY. Will the Senator yield for a unanimous-consent request?

Mr. CURTIS. I am happy to yield to my colleague.

Mr. ZORINSKY. Mr. President, I ask unanimous consent that a member of my staff, Grayson Fowler, be granted privilege of the floor during consideration of this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

UP AMENDMENT NO. 1034

(Purpose: Relating to social security tax rates and wage base.)

Mr. CURTIS. Mr. President, I send an amendment to the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Nebraska (Mr. CURTIS) proposes an unprinted amendment numbered 1034.

Mr. CURTIS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out section 101 of the Act.

Strike out section 102 of the Act.

Strike out section 103 of the Act (together with the caption thereto) and insert in lieu thereof the following:

EMPLOYMENT TAX INCREASE; INCREASE IN SELF-EMPLOYMENT TAX; REALLOCATION AMONG TRUST FUNDS

SEC. 103. (a) TAX ON EMPLOYEES.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Paragraphs (1) and (2) of section 3101 (a) of the Internal Revenue Code of 1954 are amended to read as follows:

"(1) with respect to wages received during the calendar years 1974 through 1978, the rate shall be 4.95 percent;

"(2) with respect to wages received during the calendar year 1979, the rate shall be 5.235 percent;

"(3) with respect to wages received during the calendar years 1980 through 1984, the rate shall be 5.535 percent;

"(4) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.835 percent;

"(5) with respect to wages received during the calendar years 1990 through 1994, the rate shall be 6.385 percent;

"(6) with respect to wages received during the calendar years 1995 through 2000, the rate shall be 6.885 percent;

"(7) with respect to wages received during the calendar years 2001 through 2010, the rate shall be 7.285 percent; and

"(8) with respect to wages received after December 31, 2010, the rate shall be 7.685 percent."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3101 (b) of the Code are amended to read as follows:

"(2) with respect to wages received during the calendar year 1978 through 1980, the rate shall be 1.10 percent;

"(3) with respect to wages received during the calendar years 1981 through 1985, the rate shall be 1.35 percent; and

"(4) with respect to wages received after December 31, 1985, the rate shall be 1.50 percent."

(b) TAX ON EMPLOYERS.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Paragraphs (1) and (2) of section 3111 (a) of the Code are amended to read as follows:

"(1) with respect to wages paid during the calendar years 1974 through 1978, the rate shall be 4.95 percent;

"(2) with respect to wages paid during the calendar year 1979, the rate shall be 5.235 percent;

"(3) with respect to wages paid during the calendar years 1980 through 1984, the rate shall be 5.535 percent;

"(4) with respect to wages paid during the calendar years 1985 through 1989, the rate shall be 5.835 percent;

"(5) with respect to wages paid during the calendar years 1990 through 1994, the rate shall be 6.385 percent;

"(6) with respect to wages paid during the calendar years 1995 through 2000, the rate shall be 6.885 percent;

"(7) with respect to wages paid during the calendar years 2001 through 2010, the rate shall be 7.285 percent; and

"(8) with respect to wages paid after December 31, 2010, the rate shall be 7.685 percent."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3111 (b) of the Code are amended to read as follows:

"(2) with respect to wages paid during the calendar year 1978 through 1980, the rate shall be 1.10 percent;

"(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.35 percent; and

"(4) with respect to wages paid after December 31, 1985, the rate shall be 1.50 percent."

(c) TAX ON SELF-EMPLOYMENT INCOME.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Subsection (a) of section 1401 of the Code is amended to read as follows:

"(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes, there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1979, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1978 and before January 1, 1980, the tax shall be equal to 7.952 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1979 and before January 1, 1985, the tax shall be equal to 8.302 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the tax shall be equal to 8.752 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1989, and before January 1, 1995, the tax shall be equal to 9.577 percent of the amount of the self-employment income for such taxable year;

"(6) in the case of any taxable year beginning after December 31, 1994, and before January 1, 2001, the tax shall be equal to 10.327 percent of the amount of the self-employment income for such taxable year;

"(7) in the case of any taxable year beginning after December 31, 2000, and before January 1, 2011, the tax shall be equal to 10.927 percent of the amount of the self-employment income for such taxable year; and

"(8) in the case of any taxable year beginning after December 31, 2010, the tax shall be equal to 11.527 percent of the amount of the self-employment income for such taxable year."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of subsection (b) of section 1401 of the Code are amended to read as follows:

"(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 1.10 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and

"(4) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.50 percent of the amount of the self-employment income for such taxable year."

(d) ALLOCATION TO DISABILITY INSURANCE TRUST FUND.—

(1) ALLOCATION OF WAGES.—Section 201 (b) (1) of the Social Security Act is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: "(G) 1.550 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.500

per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.650 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1985, and so reported, (J) 1.900 per centum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, (K) 2.100 per centum of the wages (as so defined) paid after December 31, 1989, and before January 1, 1995, (L) 2.400 per centum of the amount of the wages (as so defined) paid after December 31, 1994, and before January 1, 2001, (M) 2.700 per centum of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2011, and (N) 3.00 per centum of the amount of the wages (as so defined) paid after December 31, 2010, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and".

(2) ALLOCATION OF SELF-EMPLOYMENT INCOME.—Section 201 (b) (2) is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: "(G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.040 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1981, (I) 1.235 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985, (J) 1.425 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.575 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1990, and before January 1, 1995, (L) 1.800 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1994, and before January 1, 2001, (M) 2.025 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2011, and (N) 2.250 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns."

Mr. CANNON. Will the Senator yield for a unanimous-consent request?

Mr. CURTIS. I am happy to.

Mr. CANNON. Mr. President, I ask unanimous consent that Bruce Eggers, of my staff, be granted privilege of the floor during consideration of this matter.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CANNON. I thank the Senator for yielding.

Mr. CURTIS. A parliamentary inquiry, Mr. President.

The PRESIDING OFFICER. The Senator will state it.

Mr. CURTIS. Is the amendment I just sent to the desk now the pending business?

The PRESIDING OFFICER. The amendment offered by the Senator from Nebraska (Mr. CURTIS) is the pending business.

Mr. CURTIS. I yield the floor, Mr. President.

Mr. NELSON. Mr. President, social security is one of this Nation's most important Government-sponsored programs. It is a retirement program providing financial security for older workers, their dependents and spouses. It is a disability insurance program providing workers of all ages with monthly benefits if they become disabled. It is a hospitalization program providing social security beneficiaries with hospitalization insurance. And it is a program providing monthly benefits to the family of a deceased worker who has been covered by social security.

Over 33 million people will receive social security benefits this year, while about 104 million workers and their employers will pay social security taxes in 1977.

The importance of the social security program to workers and retirees is underscored by the following statistics:

The average monthly benefits are \$234 for a retired worker; \$262 per month for a disabled worker, and \$223 for an aged widow.

Forty percent of all American workers pay more in social security taxes than they do in Federal income taxes.

For about 70 percent of all single beneficiaries and for some 50 percent of all couples, social security benefits are their major sources of retirement income. ("Major source" of income is defined as at least 50 percent of all annual income.)

One out of every 4 individual beneficiaries and 1 couple out of every 12 depend upon social security for their sole source of retirement income. ("Sole source" of income is defined as at least 90 percent of all annual income.)

The social security programs are financed from an earmarked payroll tax which is referred to as the social security tax.

Social security payroll taxes are paid by employers, employees, and self-employed persons. The total social security payroll tax is a composite of three separate tax rates supporting: The old age and survivors insurance program (OASI); the disability insurance program (DI); and the hospital insurance program (HI or part A of medicare). Part B of medicare or supplementary medical insurance is also considered a social security program but is financed from premiums and general funds rather than from payroll taxes.

Each of the three components of the overall social security tax—OASI, DI, and HI—has a separate trust fund which receives all of the taxes generated by its portion of the overall tax and which can use those funds only to operate its own program. The two cash benefit programs, OASI and DI, are frequently considered together. Therefore, except where otherwise specified, the OASI and DI systems will be combined (OASDI) for purposes of discussing social security financing legislation, and will exclude the HI system.

HOW SOCIAL SECURITY IS FINANCED

The social security program is financed by a tax on earnings paid by em-

ployees, employers and the self-employed. The schedule of taxes in present law is shown in the following table:

TABLE 1.—SOCIAL SECURITY TAX RATES
(In percent)

Year	Employee-employer, each			Self-employment		
	Cash benefits	Hospital insurance	Total	Cash benefits	Hospital insurance	Total
1977.....	4.95	0.9	5.85	7.0	0.9	7.9
1978-80.....	4.95	1.1	6.05	7.0	1.1	8.1
1981-85.....	4.95	1.35	6.30	7.0	1.35	8.35
1986-2010.....	4.95	1.5	6.45	7.0	1.5	8.5
2011 and after.....	5.95	1.5	7.45	7.0	1.5	8.5

For 1977 the tax rate is paid by employers and employees each on the first \$16,500 of an individual's earnings. In 1978, the amount will rise to \$17,700. In future years the amount of earnings taxed will rise depending on the rise in average earnings from year to year. Estimates by actuaries of the social security system indicate that the taxable amount will rise as follows:

TABLE 2.—Social security tax base*

Year:	Taxable earnings
1977.....	\$16,500
1978.....	17,700
1979.....	18,900
1980.....	20,400
1981.....	21,900
1982.....	23,400
1983.....	24,900
1984.....	26,400
1985.....	27,900
1986.....	29,400
1987.....	32,200
2002.....	71,700

* These figures are calculated under the intermediate set of assumptions (used by the Social Security Trustees) which incorporates ultimate annual increases of 5% percent in average wages in covered employment and 4 percent in CPI, and ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman.

Under current law, social security is facing severe financial difficulties, both in the short term and in the longer range. Therefore, it is necessary to make changes in the law to provide adequate financing for social security. The social security trust funds do not have current income sufficient to meet the obligations made to beneficiaries, and the trust funds do not have sufficient reserves to carry the social security program for much longer. In 1977 and 1978, the social security trust funds will run a \$5.5 billion deficit each year.

Under projections of the current law, the actuarial estimates indicate that the disability insurance program will not have sufficient income to meet its obligations, and the trust funds will not have sufficient reserves to pay benefits provided under present law. The hospital insurance trust fund is projected to be depleted in 1987. It is projected that trust fund reserves in the DI program will run out in 1979, and the OASI will exhaust its reserves in 1983.

The long-run, 75-year projection of the social security program also indicates that the present social security cash benefits program is seriously under-

funded. The Board of Trustees of the social security program has reported that there is a long-term deficit in the OASDI program of 3.20 percent of taxable payroll. If this deficit were to be eliminated solely by increasing tax rates, a tax rate increase of 4.1 percent on employers and employees each would be required in 1977 and in each of the next 74 years. A rate increase of this magnitude would increase OASDI revenues by \$66 billion in 1977 and even more in future years.

Over the 25-year period covered by the cost estimates, the HI program has an average deficit of 1.16 percent of taxable payroll. This is equivalent to \$9.3 billion per year based on the 1977 taxable payroll.

To a great extent these deficits reflect an overindexing problem in calculating future benefits. The legislation reported by the Finance Committee solves this overindexing problem.

These statistics represent the magnitude of the financing problems facing the social security programs when averaged over the entire valuation period. The deficit at present and in the years immediately ahead is much smaller, but the ultimate deficit is much larger. The following table shows the deficits at various points in the future for the OASDI and HI programs.

TABLE 3a.—Deficits of the social security cash benefits program (OASDI)

	(¹)	(²)
1977.....	1.01	88
2000.....	4.01	32
2025.....	12.40	100
2050.....	15.03	121
Yearly average (1977-2001)....	2.34	19
Yearly average (2002-2026)....	7.67	62
Yearly average (2027-2051)....	14.57	117
75-yr. average (1977-2051)....	8.20	66

¹ Percent of taxable payroll.

² Dollar equivalent based on 1977 payroll levels (in billions).

TABLE 3b.—Long range (25-year) status of hospital insurance trust fund—estimates under present law

[In percent of taxable payroll]	
Average cost.....	3.96
Average tax rate.....	2.80

Actuarial balance..... -1.16

Hospital insurance trust fund balances under present law

[In billions]	
Start-of-year balance:	
1978.....	\$11
1979.....	12
1980.....	14
1981.....	14
1982.....	17
1983.....	19
1984.....	19
1985.....	17
1986.....	11
1987.....	6

Start-of-year balance as percent of outgo for year:

1978.....	\$55
1979.....	56
1980.....	53
1981.....	45
1982.....	50
1983.....	50
1984.....	44
1985.....	34
1986.....	20
1987.....	10

The point of this table is that additional funding would have to be provided to meet benefit costs over and above current revenues if the benefit structure of the cash benefits program were left unchanged. The amount of additional funding would be \$8 billion in 1977 increasing each year to \$121 billion (in constant 1977 dollars) by 2050. The alternative to providing this much additional funding is to change the structure of the program so that it pays out less in benefits.

CAUSES OF SOCIAL SECURITY'S FINANCIAL PROBLEMS

Over the past year or so, many people have questioned how the social security system got into its present condition. To answer this question, and to explore alternative solutions to the financial troubles of the social security system, the Senate Finance Committee's Subcommittee on Social Security held 5 days of hearings earlier this year. At these hearings, testimony was received from the administration, leaders in business, labor, and small business, social security experts, the insurance industry and organizations representing older Americans. These witnesses agreed that the short-range problems of the social security system are the result of three factors: high rates of unemployment, excessively high inflation, and a mechanical problem of overindexing social security benefits for future beneficiaries.

As everyone knows, inflation and unemployment have caused severe dislocations throughout our economy. These related problems have plagued the social security system, and are the primary factors causing the social security trust funds' short-range financial shortfalls. Because unemployment has been higher in the last few years than anticipated, fewer people than expected have been contributing social security taxes to the trust funds, more have retired, or claimed disability insurance. High infla-

tion, which has not been fully offset by rising wages, has only made matters worse. In 1972, Congress enacted an automatic cost-of-living adjustment to raise social security benefits automatically as the Consumer Price Index (CPI) increases. Due to high inflation, social security benefits have been automatically increased to a greater extent than had been projected just a few years ago.

Compounding social security's problems is a severe long-range deficit in the program. This deficit is the result of changing economic and demographic assumptions used for long-range projections of the social security trust funds' solvency, and can also be attributed to a faulty mechanism designed in 1972 to calculate future social security benefits.

In 1973, when the Congress last enacted major social security legislation, the estimates of the cost of the cash-benefits programs were based on demographic and economic assumptions which no longer appear realistic. At that time, social security cost projections assumed that the ultimate fertility rate would be 2.55 children per woman. Subsequent cost estimates were based on lower fertility rates. The initial reduction came in 1974 when a rate of 2.1 was assumed and a further reduction was made in 1976 when an ultimate fertility rate of 1.9 was used for the 1976 assumptions.

As for the economic assumptions made in 1973, the most significant were that after 1977 average earnings would increase at an annual rate of 5 percent while the CPI would increase at 2½ percent a year. As early as the end of 1973, these projections were perceived as unrealistic. Therefore, the 1974 estimates were based on the assumption that the annual rise in the CPI would average 3 percent a year. The effect of this change, however, was offset to some degree by eliminating an 0.375 percent additional cost which had been included as a "safety

factor" for years prior to 2011 in the 1973 estimates. By 1976, the assumptions had been changed to a 5.75 percent annual increase in average wages and a 4-percent annual rise in the CPI.

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

The social security benefits formula also is the source of much of the long-term deficit. In 1972, the social security benefit formula was made too sensitive to changing economic conditions. The benefit formula was intended to keep future benefits on a par with those benefits being received by present beneficiaries, but it in fact has not worked that way. Future benefits are increasing more rapidly than intended. This is because the formula for calculating future benefits is tied to increases both in prices and wages. Because wages go up partly as a reflection of prices, workers retiring in future years receive double adjustments for inflation.

This problem has become known as overindexing or double-indexing. Without corrective action by Congress, future retirees could receive social security benefits exceeding the highest wages they earned before retirement. This factor alone causes one-half of the long-term deficit.

The following table indicates how benefit levels and program costs have increased in the past and are projected to increase in the future if the present benefit formula is left unchanged.

TABLE 4.—HISTORICAL BEHAVIOR AND PROJECTIONS OF PRESENT PROGRAM

Initial average benefit same as in present law; workers earnings records not indexed; benefit formula bend points not indexed; benefit formula factors CPI indexed (ad hoc increases prior to 1975)

(In percent)

[in percent]													
Year	Worker with average earnings ¹		Replacement rate for worker with—		Aggregate OASDI expenditures		Year	Worker with average earnings ¹		Replacement rate for worker with—		Aggregate OASDI expenditures	
	Annual benefit in 1977 prices	Replacement rate	Low earnings ²	High earnings ³	As percent of payroll	As percent of GNP ⁴		Annual benefit in 1977 prices	Replacement rate	Low earnings ²	High earnings ³	As percent of payroll	As percent of GNP ⁴
1955	\$2,141	31	45	31	3.3	1.3	2020	\$11,733	60	91	44	21.6	8.9
1960	2,493	33	45	30	5.9	2.3	2030	14,558	63	97	45	26.0	10.7
1965	2,665	32	43	33	8.0	2.8	2040	17,892	66	102	47	26.7	11.0
1970	2,987	34	46	29	8.1	3.4	2050	21,830	68	106	48	26.9	11.1
1975	3,619	43	56	30	10.7	4.6							Percent
1979	4,415	46	58	35	10.9	4.5	Average medium-range cost (1977-2001).....						12.2
1985	5,258	48	60	34	11.6	4.8	Average medium-range revenue.....						9.9
1990	5,766	49	63	36	12.4	5.1	Average medium-range deficit.....						-2.3
1995	6,360	49	66	36	13.1	5.4	Average long-range cost (1977-2051).....						19.2
2000	7,273	52	76	38	13.9	5.7	Average long-range revenue.....						11.0
2010	9,334	56	84	42	16.6	6.8	Average long-range deficit.....						-8.2

¹ Assumed to be 4 times the average 1st quarter covered earnings.

² Assumed at \$4,600 in 1976 and following the trends of the average.

³ Assumed at the maximum taxable under the program.

⁴ Based on full employment and assuming taxable payroll equals 41.1 percent of GNP.

Note: The estimates in this table are based on the economic and demographic assumptions used in the intermediate cost estimates (alternative 11) in the 1977 OASDI Trustees Report. The replacement rates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 65 with the earnings in the year immediately prior to retirement.

DEALING WITH SOCIAL SECURITY'S FINANCIAL PROBLEMS

The goal of social security financing is to provide enough income to meet benefit payments, and to maintain a reasonable fund balance as a contingency reserve to carry the program through a recessionary period. In the past, it was believed that a fund equal to about 1 year's benefit payments was appropriate. In 1972, when the last major financing changes were made, the Social Security Advisory Council recommended that the fund be maintained at a level of 75 percent to 125 percent of 1 year's benefits. The administration has indicated that it would be appropriate at this time to aim for a goal of about 50 percent of 1 year's benefits.

Dealing with the long-range deficit requires that additional revenues be made available to the trust funds in future years and that a structural change be made in the way of computing initial social security benefits, thereby reducing the overall cost of the program and making the social security benefit formula less sensitive to economic changes.

There are three basic methods to reduce short-range and long-range deficits in the social security program.

First. Increase revenues by adjustments in the social security payroll tax and the wage base upon which these taxes are paid.

Second. Reduce social security benefits.

Third. Infuse general revenues directly into the social security programs or authorize the social security trust funds to borrow from Federal general revenues.

The Senate Finance Committee has agreed to a series of changes in the financing of social security designed to solve both the short-term and long-term deficits of the social security trust funds. The Finance Committee plan produces sufficient income to meet benefit obligations, and OASDI reserves sufficient to prevent the need for a direct infusion of general revenues, or the need to establish a borrowing authority from Federal general revenues for the social security trust funds. Moreover, the Senate Finance Committee plan is in actuarial balance for the next 75 years, through the year 2051.

The committee plan increases social security revenues over and above the revenues which would accrue under present law. It would do so with the following five changes:

First. Increase in the amount of earnings subject to employer tax.—Under existing law, the employer share of the social security payroll tax is collected on the first \$16,500 earned by each employee. This amount increases automatically in future years as wages rise and will increase to \$17,700 in 1978. The Finance Committee provision would raise the base for employer taxes to \$50,000 starting in 1979. The employer base will remain at \$50,000 through 1984 and then increase in 1985 to \$75,000. The base will remain at \$75,000 until such time as the employee tax base reaches a level of \$75,000. Current projections estimate that this will occur in the year 2002. Thereafter the two bases would be equal and would rise together in relation to the increases in average wages.

Second. Increase in amount of earnings subject to employee (or self-employment) tax.—In addition to increasing the amount of wages subject to the employer tax, the committee bill also includes an increase in the amount of annual earnings subject to the employee or self-employment tax. Under this provision, there will be a total of \$2,400 in employee wage base increases over and above present law. Four separate \$600 increases are scheduled in 1979, 1981, 1983, and 1985. As under existing law, the tax base for employees and self-employed persons will also be automatically increased as wage levels rise. The table below shows the projected tax bases:

TABLE 5.—AMOUNT OF EARNINGS SUBJECT TO SOCIAL SECURITY TAX

Years	Present law (employers, employees, self-employed)	Finance Committee plan	
		Employees; self-employed	Employers
1978.....	\$17,700	\$17,700	\$17,700
1979.....	18,900	19,500	50,000
1980.....	20,400	21,000	50,000
1981.....	21,900	23,100	50,000
1982.....	23,400	24,600	50,000
1983.....	24,900	26,700	50,000
1984.....	26,400	28,200	50,000
1985.....	27,900	30,300	75,000
2002 ¹	71,700	78,300	78,300

¹ Approximation.

Third. Increase in the Tax Rate.—Present law provides for tax rate increases in 1978, 1981, 1986, and 2011. The committee plan includes a rescheduling of two of these four increases and provides for additional tax rate increases in 1979, 1985, 1990, 1995, and 2011.

Under the committee plan, the 1989 tax rate for the cash benefit programs (OASDI) would be 5.65 percent each and the 1989 tax rate for part A of medicare (hospital insurance—HI) would be 1.40 percent, for a total tax rate of 7.05 percent. Under present law, the 1989 OASDI rate is 4.95 percent and the 1989 HI rate is 1.50 percent, for a total of 6.45 percent each.

Projections of the hospital insurance program are made for only 25 years into the future, whereas projections of the OASDI programs are made for 75 years. Neither present law nor the committee plan deals with the needs of the HI program beyond the mid-1980's. The committee plan, however, provides sufficient financing for the OASDI program to be fully funded for the next 75 years, through 2051.

The following schedule of tax rates has been approved by the committee. These rates are compared with those which already are provided in present law.

TABLE 6.—SOCIAL SECURITY TAX RATES ON EMPLOYER AND EMPLOYEE (EACH)
(Percent)

	Present law			Committee bill				Present law			Committee bill		
	OASDI ¹	HI ²	Total	OASDI ¹	HI ²	Total		OASDI ¹	HI ²	Total	OASDI ¹	HI ²	Total
1977.....	4.95	0.90	5.85	4.95	0.90	5.85	1977-79.....	4.95	1.50	6.45	5.65	1.40	7.05
1978.....	4.95	1.10	6.05	5.05	1.00	6.05	1980-84.....	4.95	1.50	6.45	6.10	1.40	7.50
1979-80.....	4.95	1.10	6.05	5.085	1.05	6.135	1985-2000.....	4.95	1.50	6.45	6.70	1.40	8.10
1981-84.....	4.95	1.35	6.30	5.35	1.25	6.60	2001-2010.....	4.95	1.50	6.45	7.30	1.40	8.70
1985.....	4.95	1.35	6.30	5.65	1.35	7.00	2011 and after.....	5.95	1.50	7.45	7.80	1.40	9.20

¹ Old-age, survivors, and disability insurance.

² Hospital insurance.

Fourth. Increase in social security tax rate for self-employment.—The committee approved a tax rate increase for the self-employed which would restore the self-employment tax rate for cash benefits to the original ratio of one and one-half times the employee rate effective in 1981. When earnings from self-employment were made subject to the social security tax in 1950, the rate was set at one and one-half times the employee rate. At that time the employee rate was 1.5 percent and the self-employment rate was 2.25 percent. Over the years as tax

rates were increased, the one and one-half to one ratio was maintained until 1973 when the cash benefit tax rate for the self-employed was frozen at 7 percent. When the hospital insurance program was established the self-employment rate for that program was made equal to the employee rate and has remained equal as the total payroll tax rate has increased.

Fifth. Elimination of certain dual taxation requirements.—Under existing law businesses are ordinarily required to pay social security taxes and Federal unemployment taxes with respect to a given employee only up to the amount of annual wages referred to as the tax base. Under the committee bill, the tax base for the employer share of the social security tax would be increased to \$50,000 effective in 1979. The base for Federal unemployment taxes is \$6,000 after 1977. Where a business is organized as a group of related corporations, however, an employee of any one of those corporations who performs services for more than one of them is treated for employment tax purposes as though he were

employment taxes with respect to a given employee only up to the amount of annual wages referred to as the tax base. Under the committee bill, the tax base for the employer share of the social security tax would be increased to \$50,000 effective in 1979. The base for Federal unemployment taxes is \$6,000 after 1977. Where a business is organized as a group of related corporations, however, an employee of any one of those corporations who performs services for more than one of them is treated for employment tax purposes as though he were

employed by each of the corporations for which he performs services. Consequently, if his total wages from affiliated companies exceed the tax base, social security and unemployment taxes may be required to be paid in excess of an individual employee's wage base. The employer share of these taxes over the wage base is not refunded, while the employee share is refunded. The committee agreed to a provision under which social security and unemployment taxes in excess of the taxable earnings base would not be paid in this type of situation.

INCREASING THE EMPLOYER'S WAGE BASE

The traditional approach to financing the social security cash benefits programs has been to levy an equal tax on employers and their employees. In considering how best to raise the funds necessary to the short-term financial soundness of the system without at the same time providing an intolerable tax burden either now or in the future, the Finance Committee plan proposes to apply temporarily the payroll tax to a higher wage base on the employer than the employee. After 1985, as the employee base rises with increases in average wage levels, the difference between the employer and employee base will gradually narrow, until the tax bases are again equal.

One reason for doing this is that social security benefits are based on the amount of individual earnings taxed. While increases in the amount of employee earnings to be taxed serves to increase income to the trust funds in the early years, such adjustments over the long-term increase benefits costs so that much of the additional income is spent in later years. Employer taxes, on the other hand, do not increase the amount of earnings used to compute individual benefits. As a result, the additional in-

come in the early years continues into the future without being offset by future benefit liabilities.

In deciding to increase the amount of earnings taxed to employers, the committee considered a number of alternatives (including taxing total payroll), and with the aid of the actuaries, determined that the total package it had in mind could best be financed if the amount were to be increased to a maximum of \$50,000 for each employer for 1979, increasing to \$75,000 in 1985, and thereafter to remain at that level until the employee wage base is again equal to the employer's.

Other alternative methods to increasing the employer base are: Further increasing the tax rate paid by all workers and their employers; or increasing equally the earnings base for all workers and their employers.

One of the proposals considered by the Finance Committee included a tax rate increase instead of the employer base increase. In that plan, the employer base would be set at the level of the employee bases approved by the Finance Committee, and additional tax rate increases would be imposed over and above those approved by the committee.

The major drawback to this particular approach is that, in combination with other revenue raising elements in the committee's plan, it places virtually all of the burden of additional social security revenues on tax rate increases.

The committee plan relies heavily on tax rate increases already. By 1987, the tax rate would be 0.6 percent above the scheduled 1987 present law rate and 1.20 percent above the 1977 tax rate. By 1995, the tax rate would be 1.65 percent above the rate scheduled in present law, and 2.25 percent above the 1977 tax rate. Additional tax rates over and above present

law also are scheduled again in 2001 and in 2011 under the committee plan.

To compare the increase in only the employers' base to another method of increasing social security revenues, we looked at a plan which raises revenues by equal employee and employer base increases. This is the method that the House of Representatives used to increase revenues for the social security trust funds.

In order to produce revenues similar to those provided by the employer base increase, the equal employee-employer base would have to be raised to \$31,800 in 1982. This is \$7,200 higher than the 1982 employee base in the committee plan. The employer and employee earnings base under this approach would increase after 1981 at the same rate as average wages rise, reaching a level of \$42,600 in 1987. By way of comparison, the committee plan pegs the employee base at \$33,900 in 1987.

As compared to the committee plan, increasing the base for the employer and employee equally imposes no additional tax burden on workers earning the average wage. It is, therefore, better for the average worker than is the tax rate increase approach.

However, this plan does have a rather significant impact on the taxes paid by workers earning the maximum amount of covered wages. Under this plan, the worker earning the maximum would pay \$2,648 in 1985, an increase of \$890 above the tax for such a worker scheduled in present law, and of \$527 above the tax such a worker would pay under the committee plan.

To compare the effect on workers of the various approaches studied by the Finance Committee, the following table has been prepared:

IMPACT ON ANNUAL TAX PAYMENTS OF WORKER EARNING AVERAGE WAGE

Wage	Taxes under present law	Increase over present law		
		Finance Committee (Nelson proposal) ¹	Curtis plan ²	House bill ³
1977	\$10,001	\$585		
1978	10,812	654		
1979	11,655	705	\$10	\$39
1980	12,486	755	11	42
1981	13,281	837	40	73
1982	14,078	887	42	77
1983	14,888	938	45	97
1984	15,744	992	47	102
1985	16,649	1,049	117	175
1986	17,606	1,136	106	167
1987	18,619	1,201	112	177

IMPACT ON ANNUAL TAX PAYMENTS OF WORKER EARNING THE MAXIMUM

	Taxes under present law	Increase over present law		
		Finance Committee (Nelson proposal) ¹	Curtis plan ²	House bill ³
1977	\$965			
1978	1,071	0	0	\$133
1979	1,143	\$53	\$102	242
1980	1,234	54	107	323
1981	1,380	145	203	566
1982	1,474	149	211	640
1983	1,569	194	287	686
1984	1,663	198	297	731
1985	1,758	363	469	890
1986	1,896	367	479	958
1987	2,012	378	496	1,012

¹ Finance Committee plan as reported to Senate.

² Senator Curtis' financing plan as proposed in the Senate Finance Committee on Oct. 21, 1977. This plan is similar to the plan adopted by the committee with these exceptions: Parity between employer and employee wage base would be maintained, and additional tax rate increases over and above those scheduled in the committee plan would be imposed of 0.25 percent on employers and

employees each in 1979, 0.1 each in 1983, and 0.1 each in 2011. The employer wage base would also be increased by \$2,400 over and above present law. These increases would occur in 4 \$600 increments in 1979, 1981, 1983, and 1985.

³ H.R. 9346 as approved by the House of Representatives on Oct. 27, 1977.

This table demonstrates that the committee plan is less expensive for an average worker or the worker earning the maximum taxable wages under social security than is a plan that relies almost exclusively on tax rate increases. The table also indicates that the committee plan, when compared to a plan that includes equal employer-employee wage base increases, has a similar effect on the average wage earner, but is significantly less expensive for a worker earn-

ing the maximum taxable wage under social security.

FISCAL RELIEF FOR STATE AND LOCAL GOVERNMENTS AND PRIVATE NONPROFIT EMPLOYERS

The Finance Committee recognized that raising the employer wage base would have a detrimental effect on certain employers who cannot pass on the increased costs of social security except by increasing tuition rates, local or State taxes, or reducing their current level of services. Therefore, the committee plan

would give fiscal relief to State and local governments, public and private colleges and universities, and other private nonprofit institutions. Fiscal relief would be offered to these categories of employers by authorizing tax rebates to be paid out of general revenues in the amount of one-half of the difference between the aggregate liability of the employer and the aggregate liability of its employees.

The cost of this fiscal relief would be

\$151 million in 1979, \$316 million in 1980, \$324 million in 1981, and \$344 million in 1982.

In 1979, for example, employers will pay social security taxes on the first \$50,000 of each employee's salary. Employees will pay social security taxes on their first \$19,500 of earnings. Under the Finance Committee's fiscal relief proposal, eligible employers would receive a tax rebate of 50 percent on all tax contributions they make on their employee's wages between \$19,500 and \$50,000.

This fiscal relief proposal would, therefore, provide approximately the same financial benefits to eligible employers on the additional taxes to be imposed by increases in the employer wage base as are currently available only to private, profit-making employers, who receive a Federal income tax deduction based on their social security tax contributions.

SOCIAL SECURITY BENEFIT ADJUSTMENTS

The committee plan adjust social security benefit payments through the following changes:

First. Decoupling and Instituting a New Wage Indexed Benefit Formula.—The procedure used to compute benefits for new retirees would be decoupled effective in 1979. This would solve the unintended effect in the present law that overcompensates for inflation. Social security replacement rates would be set at their 1976 levels, an amount calculated to be about 43 percent of an average worker's earnings the year before retirement. These replacement rates would be held constant thereafter.

Existing law calls for automatic cost-of-living increases in benefits effective each June and for increases in the tax base (based on changes in wage levels) each January (assuming that the Consumer Price Index rises by at least 3 percent). Each benefit increase is put into effect by a revision of the table in

the law. Thus, each increase applies not only to people entitled to benefits for the month the increase is effective but also to everyone who will become entitled to benefits in the future.

The automatic cost-of-living benefit increase mechanism incorporated into the social security program by the 1972 amendments operates exactly as intended for persons on the benefit rolls. Once the initial benefit has been established, it is periodically increased by a percentage which restores its original purchasing power according to the official governmental index of purchasing power—the Consumer Price Index. The committee bill proposes no change in this concept.

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

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

get a benefit of \$60.50 (55 percent multiplied by \$110).

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

The starting point for most proposals for dealing with the current long-term deficit of the social security system is a concept called decoupling. Decoupling means that the automatic benefit increase mechanism in present law would continue to apply to keep benefits inflationproof after a person retires and begins to draw his benefits, but the formula for initially determining benefits at the time of retirement would no longer be automatically increased.

Decoupling by itself would make a substantial reduction in the long-term cost of the program but would also cause a significant reduction in the real value of future benefits. In order to forestall a reduction of this nature, the committee bill would provide that future benefits be based on "indexed" earnings, rather than the actual earnings that are used under the present law. This procedure involves the adoption of a new automatic mechanism for adjusting the formula for computing initial benefits which is designed to keep replacement rates at about existing levels.

The following table indicates the benefit structure, replacement rates, and expenditures under the Finance Committee bill:

TABLE 7.—BENEFITS, REPLACEMENT RATES, AND EXPENDITURES UNDER COMMITTEE BILL, 1979-2050

(In percent)

Year	Worker with average earnings ¹		Replacement rate for worker with—		Aggregate OASDI expenditures		Year	Worker with average earnings ¹		Replacement rate for worker with—		Aggregate OASDI expenditures	
	Annual benefit in 1977 prices	Replacement rate	Low earnings ²	High earnings ³	As percent of payroll	As percent of GNP ⁴		Annual benefit in 1977 prices	Replacement rate	Low earnings ²	High earnings ³	As percent of payroll	As percent of GNP ⁴
1979	\$ 4,444	46	58	35	10.24	4.2	2010	\$ 7,171	43	54	32	12.47	5.1
1985	4,711	43	54	30	10.54	4.3	2020	8,472	43	54	32	15.24	6.3
1990	5,144	43	55	30	10.83	4.5	2030	10,011	43	54	32	17.32	7.1
1995	5,580	43	54	30	11.09	4.6	2040	11,830	43	54	32	16.84	6.9
2000	6,067	43	54	31	11.31	4.6	2050	13,976	43	54	32	16.30	6.7

Average medium-range cost (1977-2001)..... 10.81
 Average medium-range revenue..... 11.85
 Average medium-range deficit..... +1.04
 Average long-range cost (1977-2051)..... 13.80
 Average long-range revenue..... 13.85
 Average long-range deficit..... +.05

¹ Assumed to be 4 times the average 1st quarter covered earnings.
² Assumed at \$4,600 in 1976 and following the trends of the average.
³ Assumed at the maximum taxable under the program.

⁴ For 1979 and later, based on full employment and assuming taxable payroll equals 41.1 percent of GNP.

⁵ Based on the present law benefit formula for all workers attaining age 62 before Jan. 1, 1979 (as in H.R. 8218).

Note: The estimates in this table are based on the economic and demographic assumptions used in the intermediate cost estimates (alternative II) in the 1977 OASDI Trustees Report. The replacement rates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 65 with the earnings in the year immediately prior to retirement.

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

basic a change in the benefit structure might otherwise produce.

First. Offset for pensions received from noncovered employers.—In response to recent Supreme Court decisions, which held unconstitutional a dependency test applied to men only, a new offset against pensions received from employ-

ers not covered by the social security system would be introduced. The committee bill includes a provision which would reduce benefits payable under social security to dependent spouses by the amount of any civil service (Federal, State, or local) retirement benefit payable to the spouse. The provision would

apply only to individuals applying for spouses' social security benefits in the future and only if the dependent spouse had a civil service pension based on his or her own earnings in public employment which was not covered under the social security system.

As an example of how this provision will operate, assume the following facts: a widower, age 65, retires and is eligible to receive \$600 a month from a public pension. He is not eligible for any social security benefits. His deceased wife was covered by social security and therefore, under current law, the widower is entitled to a surviving spouse benefit of \$136 a month. Because of the dollar for dollar public pension offset provided in this legislation, the widower will not be able to collect any of the social security benefit he otherwise would be entitled to based on his wife's record of employment.

Second. Modification of retirement test and financing of the provision.—Social security beneficiaries who are under age 72 have their benefits reduced if their earnings exceed a certain amount. This is referred to as the social security retirement test. It is adjusted annually under present law to reflect changes in average wage levels.

In 1977, the amount which may be earned with no reduction in benefits is \$3,000; it is expected to increase to \$3,240 in 1978 and to \$3,480 in 1979. The committee approved an amendment to increase these levels to \$4,500 in 1978 and to \$6,000 in 1979. After 1979, the \$6,000 level would increase automatically as wage levels rise. The committee also agreed to increase the social security tax rate applicable to employers and employees, effective January 1, 1979, by the amount needed to fund the cost of the higher retirement test levels. These tax rate increases are incorporated in the tax schedule printed above in table 6.

Fourth. Elimination of retroactive payments which cause an actuarial reduction.—Persons applying for social security benefits are now allowed to elect to start their entitlement up to 12 months prior to the month in which they file an application. If these months are months prior to age 65, however, the retroactive benefits are obtained with the understanding that the beneficiary will receive a lower permanent benefit amount. This is because whenever social security benefits are paid before age 65, they are actuarially reduced. The committee agreed to a provision under which retroactive benefits would not be permitted in cases involving entitlement before age 65.

Fifth. Adjustment in method used in computing certain benefit increases.—Under the committee plan, beneficiaries who are receiving actuarially reduced benefits will no longer receive more than the announced percentage increase in their benefit when a cost-of-living adjustment is made in all benefits.

Under the automatic cost-of-living benefit adjustment, some persons on the rolls receive, through a technically, a cost-of-living increase which is more than the actual cost-of-living increase based upon their monthly benefits. This

occurs because the automatic adjustment is applied to their basic benefit rate, which represents what would be paid to a beneficiary who began drawing benefits at age 65. If an individual begins getting benefits prior to age 65 and therefore accepts an actuarially reduced benefit rate, subsequent benefit increases are now larger than necessary to keep that benefit up-to-date.

The committee agreed to modify the cost-of-living increase mechanism so that all persons on the rolls at the time of an increase would receive only the cost-of-living percentage increase applied to their actual monthly benefit checks.

Sixth. Increased benefits for certain widows.—Social security benefits for individuals who continue working past age 65 are increased under present law by 1 percent for each year prior to age 72 that the worker did not receive benefits because the worker's earnings exceeded the social security retirement test. This delayed retirement increment is added to the individual worker's benefit when he retires or reaches age 72. At present, this retirement increment applies only to the worker's own benefit and is not transferable to his survivors. The committee adopted a provision under which any retirement increment would be added to the benefit payable to the widow or widower of such an individual.

GENERAL REVENUES

Using general revenues to help finance the social security program has been debated back and forth for many years. The President's legislative proposal on social security would have infused general revenues into the social security trust funds during periods of high unemployment. This approach was supported by many of the witnesses who testified at the Senate Finance Committee's hearings on social security earlier this year.

Before the August recess, however, the Senate Finance Committee voted 11 to 3 against using general revenues to fund the social security cash benefits program. This vote reflected the strong sentiment of members of the Finance Committee that the social security cash benefits program should be financed totally by payroll taxes. It was the general feeling among Finance Committee members that using Treasury funds to support the present social security cash benefits program would create pressures in the future to increase benefits for social security recipients by the use of general revenues.

I supported the Finance Committee's position that general revenues should not be used directly to subsidize the cash benefits program.

In my judgment, however, a distinction should be made between using general revenues for the hospital insurance program and using them for the cash benefits program. Whether a beneficiary becomes ill and must enter a hospital is not at all related to payroll contributions. Rather, it is an incidence of one's health. Cash benefits, on the other hand, should and do reflect the earnings of the employee.

Under present law, the hospital insurance program (part A of medicare) will be depleted in 1987. Under the Finance Committee bill the hospital trust fund will be depleted in 1988. This means that prior to 1987 or 1988 another source of revenue will have to be proposed to secure the solvency of the hospital insurance program.

Right now, general revenues are used to support a portion of the medical insurance program (part B of medicare). In 1976, general revenues will be used to support 70 percent of the cost of the medical insurance program. And in 1977, general revenues will be used to support almost 80 percent of the program.

For these reasons, I believe that Federal general revenues should be used to support a part of the financing of the hospital insurance program. It should be emphasized, however, that the Senate Finance Committee bill does not include any general revenues for the support of the cash benefits program or for the use of the hospital insurance program.

It should be noted, however that general revenues support the social security system indirectly under present law. When employers deduct social security payments they contribute on behalf of their employees from their Federal income tax returns. This deduction costs the general fund revenues it otherwise would receive. In the committee bill, employers with high-paid employees will have to pay social security taxes on the earnings of these employees to a greater extent than they now contribute under current law. This will create an additional tax burden on these employers, but the increased burden will be fully deductible on these employers Federal income tax returns. Therefore, the additional burden will be paid for, indirectly, by general revenues.

CONCLUSION

Mr. President, one of the most difficult decisions public officials have to make is the decision to increase the amount of taxes their constituents have to pay. Every tax dollar paid by a wage earner means one less dollar of income that can be used to pay for essential goods and services like food, clothing, housing, and schooling. As the Senate Finance Committee considered the problems of the social security system, and finally adopted a financing bill, we continually kept in mind the goals of protecting the social security system from any threats of bankruptcy, keeping future benefit levels on a par with today's benefit levels, and renewing the American public's confidence in social security. In doing all of this, we also tried to keep additional taxes on every wage earner to a minimum.

The Finance Committee's bill requires every wage earner to pay more in taxes than under the current law. It was necessary to increase taxes because right now the social security system is inadequately financed. We felt that American workers would be willing to pay additional tax dollars if they could be assured that their parents and grandparents would continue to receive their monthly social security benefit checks and if they could be assured that the

benefits to which they are entitled would not be diminished in the future.

In raising social security taxes for every American wage earner covered by social security, I believe we worked out a plan that would distribute the additional burden in a fair and equitable manner. Some people may argue over the method we used, but no one can say that we have not taken the difficult political route. We raised the additional money necessary to finance social security through taxes rather than turning to the general fund or by increasing the national deficit.

Mr. President, the financing plan adopted by the Senate Finance Committee is a responsible, comprehensive proposal to assure American workers and their families and all social security beneficiaries of a sound and secure social security program. The short-term deficits confronting the social security trust funds will be eliminated. The threat that the social security trust funds will go bankrupt has been eliminated. The Senate Finance Committee plan will place social security cash benefits programs in actuarial balance for the next 75 years based on current economic and demographic assumptions. No present beneficiary will suffer a social security benefit reduction, while future beneficiaries will be assured that their social security benefits will be available to them and their families should they retire, become disabled, or die.

These are the kinds of assurances all Americans have sought. They deserve no less.

Mr. HARRY F. BYRD, JR., Mr. President, in my judgment, the social security program is more important to more people than any other Federal program.

Social security was enacted in 1935. During the intervening 42 years it has become a basic and integral part of the lives of the American people.

Retired and disabled Americans who receive social security benefits; working Americans who pay into the program with the expectation of ultimately receiving social security benefits; American businessmen who help to finance social security through their employer portion of the tax, each have an important stake in social security.

The Congress has a deep obligation to protect the solvency of the social security trust fund.

When social security was established 42 years ago, it was funded on the principle that one-half of the total social security tax would be paid by the employer and one-half would be paid by the employee. The employee, of course, would be the beneficiary of the total amount.

This basic principle continues to this day.

For many years the social security tax on both employer and employee was fixed at a figure that would provide the social security trust fund with a balance equal to approximately 1 year of benefits. To state it another way, if \$80 billion of benefits are to be paid over a period of a year, then the reserves in the trust fund would approximate that amount.

What has happened in the last few years is that Congress has increased benefits to a greater degree than taxes. Thus, at the present time the social security trust fund has reserves of somewhat less than 6 months.

So that the reserves do not deteriorate further, it is necessary that the trust fund be replenished.

Although the income will not quite equal the outlays for 1977, there still will be a reserve in the trust fund of approximately \$36 billion.

It is important for the Congress to address the question of additional funds before the reserves drop significantly below 50 percent of annual benefits.

The Carter administration has responded to this question by proposing the use of general revenues to finance social security. This approach has been rejected since the inception of social security, and is contrary to the whole principle of social security funding.

Social security always has been self-financing. This is an important reason why social security has, up to this time, been a program upon which the social security recipients could depend.

The Senate Finance Committee overwhelmingly voted down the Carter approach.

Indeed, there are no general revenue funds available to use for social security. There are only deficits.

To finance social security out of general revenues would mean the use of printing press money, which would undermine the integrity of the social security system. It would mean that contributions to the social security fund would be at the whim of political decisions on an annual basis. This could seriously jeopardize the stability of the program—and could transform social security into a welfare-type program.

The Finance Committee under Senator Long's leadership wisely rejected the use of general revenue funds for social security.

I want to pay tribute to the committee chairman, Senator Long, for his leadership in strong opposition to using general revenues.

In place of the plan to use general revenues, the committee has approved a carefully thought out plan developed by the able Senator from Wisconsin (Mr. NELSON).

The plan approved by the Finance Committee would increase the social security tax rate for both employers and employees in stages rising from the present level of 5.85 to 6.6 percent in 1981 and to 9.2 percent by 2011.

But the tax burden would not fall equally upon employers and workers. The rates would be the same for both groups, but the Nelson program would boost the wage base—the maximum amount of pay subject to the tax—much more rapidly for employers than for employees.

The employer wage base, now \$16,500, would shoot up to \$50,000 in 1979 and to \$75,000 in 1985. In contrast, the employee wage base would not reach \$33,900 until 1987 and would not equal the employer rate of \$75,000 until after the

year 2000. The result, of course, would be that between 1979 and 2000, employers would be carrying a significantly larger share of the direct cost of social security than would employees.

The primary rationale for such an approach is that a greater tax upon employers than upon employees would be politically more acceptable than taxing both groups equally.

The Nelson plan departs from one of the fundamental principles of social security, which is that social security taxes should be shared equally by employee and employer, although the employee receives the total benefit.

While the Nelson plan has less direct impact on the paycheck of the worker than the existing tax formula, a realistic appraisal will show that consumers—including workers and social security beneficiaries—will pay higher prices for many goods and services, because businesses will be forced to increase prices to offset the additional cost of their social security contributions.

But my main concern about the Nelson proposal is that the social security beneficiaries, present and future, would be much better off were the Congress to adhere to the traditional social security concept of taxes shared equally by employee and employer.

For more than four decades, the equal-contribution principle has stood the test of time. It has widespread acceptance on the part of the public, employers and workers alike. Plans, budgets, and expectations of millions of Americans are based on this simple and equitable formula.

I have considerable reservations about tinkering with the philosophy of share-and-share-alike in financing of social security.

I am prepared to support an increase in social security taxes to finance the increased benefits voted by the Congress.

If social security benefits are increased—and it has been necessary to increase the benefits from time to time as Government-stimulated inflation has increased the cost of living—these increased benefits must be paid for.

The social security fund can be appropriately replenished by an equal increase in the tax on employer and employee. Such a tax would be preferable to the Nelson approach.

At the same time, the most important objective must be to obtain adequate financing to preserve the social security system.

The social security program is too important to too many people to allow the reserves to drop to dangerously low levels.

SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

The PRESIDING OFFICER. The question now recurs on the amendment offered by the Senator from Nebraska (Mr. CURTIS).

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that Mr. WILLIAMS be recognized for 3 minutes.

The PRESIDING OFFICER. The Senator from New Jersey (Mr. WILLIAMS) is recognized.

**SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977**

The PRESIDING OFFICER. The Senate will now return to the unfinished business, which the clerk will state by title.

The assistant legislative clerk read as follows:

A bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes,

The Senate continued with the consideration of the bill.

The PRESIDING OFFICER. The pending question is on agreeing to the amendment of the Senator from Nebraska (Mr. CURTIS).

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MATHIAS. Will the Senator withhold that?

Mr. ROBERT C. BYRD. I withhold that.

Mr. MATHIAS. Mr. President, I ask unanimous consent that during the debate on the social security bill and votes thereon, Ralph Oman and Kent Steinkamp of my staff be granted the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

What is the will of the Senate? The pending business is H.R. 9346, an amendment by the Senator from Nebraska.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

Mr. HELMS. Will the Senator withhold that?

Mr. CURTIS. Yes.

Mr. HELMS. Mr. President, I ask unanimous consent that Mr. Howard Segermark of my staff may be granted the privilege of the floor during discussion of the social security measure and any votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. HELMS. I suggest the absence of a quorum. Mr. President.

The assistant legislative clerk proceeded to call the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9376.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

**SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977**

The **PRESIDING OFFICER**. Under the previous order, the Senate will now proceed to the unfinished business, which the clerk will state.

The second assistant legislative clerk read as follows:

A bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954, to strengthen the financing of the social security system, and so forth, and for other purposes.

The Senate resumed the consideration of the bill.

The **PRESIDING OFFICER**. The

pending question is the amendment by the Senator from Nebraska (Mr. CURTIS) on which there is a 30-minute time limit.

Mr. BROOKE. Mr. President, I ask unanimous consent that Lawrence Gris-hom of Senator PERCY's staff and Barbara Harris of my staff may be granted the privilege of the floor during consideration of this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. THURMOND. Mr. President, I ask unanimous consent that John Napier of the staff of the Committee on the Judiciary and Hargrave McElroy of my staff be granted the privilege of the floor today and tomorrow on all matters to come before the Senate.

The PRESIDING OFFICER. Without objection, it is so ordered.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

Mr. MCINTYRE. Mr. President, I ask unanimous consent that Tony Mazzaschi and Marc Scheer of my staff be granted the privilege of the floor during the consideration of the Social Security financing bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LUGAR. Mr. President, I ask unanimous consent that Robert Kabel of my staff may be accorded the privilege of the floor during debate on this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

Mr. ROBERT C. BYRD. Mr. President, I thank the distinguished Senator from Nebraska (Mr. CURTIS) for allowing the Senate to impose on his time. His amendment is before the Senate, and I hope we may proceed now.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, I yield myself 5 minutes.

Mr. President, I ask for the yeas and nays on the pending amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, we are about to vote on a very important issue. Social security is complex. But sometimes a problem can present itself in a simple way, and it calls for a simple but straightforward answer.

We hear all sorts of scare stories. This morning I heard a commentator say that the social security system was bankrupt. I do not think that added a service to the general public, particularly to the beneficiaries.

We are collecting about \$82 billion in social security every year, but this year we are going to be short a little over \$6 billion. Next year it will be a little more.

In the long range, we have got some problems. It is just that simple.

Where do we get the \$6 billion? I do not think that this Congress wants to lower benefits. We have got to increase income.

Yesterday, we voted overwhelmingly against dipping into the general Treasury. Now the issue is, Shall we soak the employers rather than face this problem? That is what it amounts to.

I carry no brief for employers, but I do say that this amendment will create havoc and if it becomes the law of the land the Congress will be here repealing it in less than 6 months.

To raise the base on employers only abandons the guideline of a contributory system, half by employers and half by employees.

Furthermore, when we raise the wage base clear up to \$75,000, we discriminate

against companies. Concerns that employ a great many high paid and skillful people will have a tremendous tax increase. Others may not.

In other words, Mr. President, it is an effort for an easy answer:

How do we propose to impose this half percent on each one? The total on the payroll of 1 percent will bring in about \$8 billion in full force. We propose that beginning in 1979, and we should never make these things retroactive, this gives a year lead time after the conference acts, that in 1977 we raise the tax a simple 0.2 of 1 percent.

In the individual making \$10,000, it amounts to \$20.

Also, keep in mind, Mr. President, that, very properly, we have tilted the benefits in the social security in favor of the lower paid. We have also enacted the earned income credit. So the individual who has nothing but earned income and does not make more than \$4,000 gets a credit that is refundable for \$400. If he makes \$7,000, he will still get a refund of \$100, to compensate for the fact that the social security tax is a tax on the first dollar that he earns.

Now, no one likes taxes. No one likes to increase taxes. But what are we going to do? Here is a system, and, as the distinguished Senator from North Carolina said yesterday, more people depend on the social security than on any other program we have.

Mr. President, I think smart politics in this deviates from the pattern in the past of trying to avoid things, to conceal the true cost of social security and find an easy answer.

The Nation is alarmed about the situation, and I believe they are expecting the Congress to meet it forthwith and forthright.

All we are asking here is a raise in the social security tax on employees of one-half of 1 percent in two steps, and a raise of a similar amount on the employers. It will keep all of the benefits flowing. It will take care of our immediate problem. It will conform to all the guidelines that we follow.

Yesterday there was circulated in the Chamber a statement from the leading municipalities carrying a list of cities that would pay more under my proposal than under the committee proposal.

The committee would load it all on employers. I would vote half on.

Now, when does half of a sum exceed the whole? I had it checked. They admit now that they have made a mistake; but they got it mixed up; that they took part of my plan one and combined plan two with it and came up with such an answer.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. CURTIS. Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. Who yields time?

Mr. CURTIS. I yield 3 minutes to the distinguished Senator from Virginia.

Mr. HARRY F. BYRD, JR. Mr. President, in my judgment, the social security program is more important to more people than any other Federal program.

Social security was enacted in 1935. During the intervening 42 years, it has become a basic and integral part of the lives of the American people.

When social security was established, it was funded on the principle that one-half of the total social security tax would be paid by the employer and the other one-half would be paid by the employee. The employee, of course, would be the beneficiary of the total amount. The basic principle continues to this day.

What the Curtis amendment in the nature of a substitute proposes to do is to maintain this principle. I feel that that is a very important concept to maintain. The social security program is of such vital importance that I feel it unwise to depart from the fundamental concept as to financing.

The social security fund, as the able Senator from Nebraska just pointed out, can be replenished appropriately by an equal increase in the tax on employer and employee. Such a tax, I feel, would be preferable to the bill recommended by the Senate Committee on Finance.

So I shall vote for the substitute offered by the distinguished Senator from Nebraska (Mr. CURTIS).

The social security program is too important to too many people to allow the reserves to drop to dangerously low levels.

The PRESIDING OFFICER. Who yields time?

Mr. NELSON. Mr. President, is there a time limitation?

The PRESIDING OFFICER. Fifteen minutes to a side.

Mr. NELSON. Mr. President, there are several ways and combinations of ways to provide funding to secure the social security trust funds.

I will repeat what I said in the Finance Committee and what I said on the floor yesterday: The proposal of the Senator from Nebraska does levy the tax and provide the necessary funds to secure the social security fund, based upon the intermediate assumptions of the Social Security trustees, through the year 2050. The proposal that the Finance Committee reported to the Senate does the same thing. Both proposals accomplish that result, based upon the intermediate assumptions, without a deficit 75 years from now. That is to say, the fund will be in balance, based upon those assumptions, in the year 2050, in both cases.

In plan No. 2—what is called plan No. 2—of Senator CURTIS, there will be a plus 0.4 percent balance of taxable payroll in the social security trust funds. Under Senator CURTIS' alternative plan, there will be a deficit of 0.27 percent of taxable payroll. Under the House bill, there would be a deficit of 1.62 of taxable payroll, which is fairly substantial. Under the Finance Committee plan, there would be a long-term surplus of 0.06 of taxable payroll.

So both the Curtis plan and the Senate Finance Committee plan finance the social security fund and insure its security for the next 75 years and beyond. This is an important objective to achieve for the purpose of assuring everybody who contributes to the fund—104 million Americans who are now contributing—

and the 33 million who are now beneficiaries that their retirement is not in jeopardy, that the money will be on hand for them when they retire. It is important that we give that assurance, and there has never been any doubt in my mind that Congress would do so.

The point I am making is that both Senator CURTIS' plan and the Finance Committee plan went to great care to levy the taxes, to be sure that we could guarantee the integrity of social security all the way to the year 2050. I believe it was a wise move to do so on the part of Senator CURTIS in his plan and the Finance Committee in its plan.

As I suggested, there are several ways to finance social security, and each has a different impact. You can dramatically raise the wage base on employers and employees—that is, more dramatically than it is being raised—as the House does. The House bill places a significantly higher burden of cost on those in income brackets \$20,000 and above. Social security could be financed by just increasing taxes, which places a heavier burden on the low-income groups. A combination of increased payroll taxes and increased employer and employee wage bases could finance social security. A variable employer/employee wage base, as is in the Finance Committee plan, could also be used.

The social security fund got into this declining financial situation because of three or four factors. Two of these factors were high unemployment and excessive inflation. Another factor was the double indexing of future benefits, which was not intended at the time it was adopted by Congress; this problem is resolved in the proposal before us. Eliminating double indexing solves 50 percent of the total long-term—75 years—problem in social security. The Senate Finance Committee bill provides an average replacement rate of 43 percent of a workers earnings the year before his retirement. For the first time, everybody knows what their retirement replacement rate is going to be.

In order to take care of the short-term financing problem without placing too heavy a burden on the contributing employees, I proposed, and the Finance Committee reported to the floor, a bill which establishes a wage base of \$50,000 for the employers; in 1985, it would increase to \$75,000 and remain at that level until sometime after the year 2000.

In the meantime, under the current law, employees' wage bases continue to rise with increases in average wages. For example, the wage base of employees under the Finance Committee proposal goes from \$16,500 in 1977 to \$33,900 in 1987. It is projected to reach \$75,000 by the year 2002.

On the other hand, the House bill provides for wage base jumps from \$16,500 to \$24,600 at that same period. Senator CURTIS' plan No. 2 has the same employee wage base on the Finance Committee plan.

Under the differential wage base in the committee bill, the employer and employee wage base will again be equal in 25 years. It is not a permanent differential

on the wage base between the employer and the employee as was proposed by the Carter administration. The administration's bill that was submitted to Congress proposed that the wage base cap be taken off the employer totally, so that those who are earning \$500,000, \$600,000 or \$900,000—the highest paid people in this country—would pay on that whole wage base on the employer's side. We did not accept that in the Finance Committee.

Instead of no limit on the employer's side, we set a limit of \$50,000 and \$75,000. Under current economic projections, the wage base of the employer will be at \$75,000 79 years from now, and the employee wage base will have risen to \$75,000. Therefore, they will be back to parity, and in the meantime, a method of meeting the short-term deficit in the social security trust fund will have been met. At the same time, there will be less of a burden upon the employee.

As to the employer, it should be pointed out that a substantial majority of all employers in the country pay less under this plan with a higher employer wage base than they would under the plan in which the wage base for employers and employees increases equally because 87 percent of all wages are already covered by the current employer wage base. As of next year, employers whose employees are earning less than \$17,500 will incur no increase on their employees at all; whereas, if we levied the tax equally there would be an increase on both the employer and the employee and that would cost most employers more because increasing payroll taxes effects all employees, regardless of their salaries. Only employers of high-paid employees will be affected by the finance committee bill.

So, as to a substantial percentage of the employers in this country the Finance Committee proposal will cost them less money than if we levied the payroll tax equally on each side.

What is the impact on the employee of these plans?

Under this Finance Committee bill, in 1979 the increase in the tax on the employee earning an average wage of \$11,655 over and above the scheduled increases, which are substantial, would be \$10. Under the House bill, the additional cost is zero. Under the Senator CURTIS plan No. 1, the cost is \$33; and under Senator CURTIS' plan No. 2 the cost is \$39.

In 1981, the increase under the Finance Committee bill is \$40 on the average worker, \$33 in the House bill, \$78 under CURTIS No. 1, and \$73 under CURTIS No. 2.

In 1987, the increase on the individual worker over the current scheduled increases in the law, which are the really substantial increases, is \$112 a year under the Finance Committee plan, \$121 under the House bill, \$165 under the CURTIS plan No. 1, and \$177 under CURTIS plan No. 2. That tells us the impact on the average worker.

Next, let us look at the impact on the annual tax payments of workers earning the maximum base. In 1977, the employee earning base is set at \$16,500. The taxable earnings base will increase

to \$21,000 under the Finance Committee bill in 1980. The base goes to \$25,900 under the House bill and \$21,000 under Curtis plan No. 2.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. NELSON. I yield.

Mr. CURTIS. Plan No. 2 is not before the Senate at this time.

Mr. NELSON. Which plan is?

Mr. CURTIS. No 1.

Mr. NELSON. I am sorry. I did not know that. As the Senator knows, we were trying to make up these charts at a time when the last proposal made by the Senator from Nebraska was plan No. 2. We researched both No. 1 and No. 2, and I thought the Senator was sticking with No. 2. But I now understand.

Mr. CURTIS. No.

Mr. NELSON. That even makes my argument look better, but that is all right.

Mr. CURTIS. For instance, the House raised the wage base by \$8,400 effective a few years down the line and that would bring the cost to \$529, for the highest paid employee while mine would only create an increased cost of \$117.

Mr. NELSON. The maximum base for those employees earning high wages under the Finance Committee proposal in 1987 will be \$33,900, compared to \$31,200 under Curtis plan No. 1 and \$42,600 in the House bill.

Under the Finance Committee plan, the employee earning the maximum will be paying \$378 a year more than the current scheduled social security tax. Under the House bill, the maximum earner will pay \$1,012 more on a maximum base of \$42,600.

Under Senator CURTIS' plan No. 1, the maximum earner will pay \$276 more on those earning the maximum versus \$378 more under the Finance Committee plan.

Mr. President, I ask unanimous consent that the appropriate tables that we have been reading from here and others be printed at this point in the RECORD.

There being no objection, the tables were ordered to be printed in the RECORD, as follows:

COMPARISON OF ALTERNATIVE SOCIAL SECURITY FINANCING PLANS

1. Present law.
2. Senate Finance Committee bill as reported on November 1, 1977.
3. H.R. 9346 as passed by the House.
4. Finance Committee bill as reported, with modifications proposed by Senator Curtis (present law earnings base for both employers and employees with higher tax rates, as shown on page 1).
5. Finance Committee bill as reported, with alternative modifications proposed by Senator Curtis (employee earnings base in Finance Committee bill to apply to employers as well; higher tax rates, as shown on page 1).

COMPARISON OF FINANCING PROPOSALS

	Present law	Finance Committee (Nelson proposal)	House bill	Curtis plan 1	Curtis plan 2
Total (OASDI) tax rate (employer and employee, each; in percent):					
1977	5.85	5.85	5.85	5.85	5.85
1978	6.05	6.05	6.05	6.05	6.05
1979	6.05	6.135	6.05	6.335	6.385
1980	6.05	6.135	6.05	6.635	6.385
1981	6.30	6.60	6.55	6.885	6.85
1982	6.30	6.60	6.65	6.885	6.85
1983	6.30	6.60	6.65	6.885	6.95
1984	6.30	6.60	6.65	6.885	6.95
1985	6.30	7.00	6.95	7.185	7.35
1986	6.45	7.05	7.10	7.335	7.40
1987	6.45	7.05	7.10	7.335	7.40
1988-89	6.45	7.05	7.10	7.335	7.40
1990-94	6.45	7.50	7.65	7.885	7.95
1995-2000	6.45	8.10	7.65	8.385	8.45
2001-10	6.45	8.70	7.65	8.785	8.85
2011 and later	7.45	9.20	7.65	9.185	9.35
75-yr average balance (percent of taxable payroll) ¹	-8.20	+ .06	* -1.62	-0.27	+ .40
Employee earnings base:					
1977	\$16,500	\$16,500	\$16,500	\$16,500	\$16,500
1978	17,700	17,700	19,900	17,700	17,700
1979	18,900	* 19,500	22,900	18,900	* 19,500
1980	20,400	21,000	25,900	20,400	21,000
1981	21,900	* 23,100	29,700	21,900	* 23,100
1982	23,400	24,600	31,800	23,400	24,600
1983	24,900	* 26,700	33,900	24,900	* 26,700
1984	26,400	28,200	36,000	26,400	28,200
1985	27,900	* 30,300	38,100	27,900	* 30,300
1986	29,400	32,100	40,200	29,400	32,100
1987	31,200	33,900	42,600	31,200	33,900
Employer earnings base:					
1977	16,500	16,500	16,500	16,500	16,500
1978	17,700	17,700	* 19,900	17,700	17,700
1979	18,900	* 50,000	* 22,900	18,900	* 19,500
OASDI reserve ratio (start of year; in percent): ¹					
1977	47	47	47	47	47
1978	36	36	37	36	36
1979	27	28	31	26	28
1980	18	25	27	21	26
1981	9	24	25	21	24
1982	(²)	28	26	22	29
1983	(²)	31	28	22	34
1984	(²)	33	29	22	36
1985	(²)	35	30	21	38
1986	(²)	41	34	23	44
1987	(²)	46	37	25	51
HI reserve ratio (start of year; in percent): ³					
1977	66	66	66	66	66
1978	55	55	55	55	55
1979	56	48	50	56	48
1980	53	46	44	53	38
1981	45	40	34	45	25
1982	50	44	42	50	19
1983	50	43	45	50	8
1984	44	36	42	44	5
1985	34	25	34	34	(⁴)
1986	20	16	22	20	(⁴)
1987	10	6	15	10	(⁴)

¹ Estimate for all proposals supplied by the Office of the Actuary, Social Security Administration.

² Preliminary estimate.

³ Statutory increase of \$600.

⁴ Includes effect of statutory earnings base increase.

⁵ Funds exhausted.

IMPACT ON ANNUAL TAX PAYMENTS OF WORKER EARNING AVERAGE WAGE

	Wage	Increase over present law			
		Taxes under present law	Finance Committee (Nelson proposal)	House bill	Curtis plan 2
1977	\$10,001	\$585			
1978	10,812	654			
1979	11,655	705	\$10	0	\$33
1980	12,486	755	11	0	73
1981	13,281	837	40	\$33	78
1982	14,078	887	43	49	82
	Wage	Increase over present law			
		Taxes under present law	Finance Committee (Nelson proposal)	House bill	Curtis plan 2
1983	14,888	938	45	52	87
1984	15,744	992	47	55	92
1985	16,649	1,049	117	108	172
1986	17,606	1,136	106	114	156
1987	18,619	1,201	112	121	165

IMPACT ON ANNUAL TAX PAYMENT OF WORKER
EARNING THE MAXIMUM

	Taxes under present law	Increase over present law			
		Finance Committee (Nelson proposal)	House bill	Curtis plan 1	Curtis plan 2
1977....	\$965	-----	-----	-----	-----
1978....	1,071	0	133	0	0
1979....	1,143	\$53	242	\$54	\$102
1980....	1,234	54	333	119	107
1981....	1,380	145	566	128	203
1982....	1,474	149	640	137	211
1983....	1,569	194	686	146	287
1984....	1,663	198	731	154	297
1985....	1,758	363	890	289	469
1986....	1,896	367	958	260	479
1987....	2,012	378	1,012	276	496

OASDI PERCENT OF TAX RATE (EACH)

	Present law	Finance Committee (Nelson proposal)	House bill	Curtis plan 1	Curtis plan 2
1977...	4.95	4.95	4.95	4.95	4.95
1978....	4.95	5.05	5.05	4.95	5.05
1979....	4.95	5.085	5.05	5.235	5.385
1980....	4.95	5.085	5.05	5.535	5.385
1981....	4.95	5.35	5.25	5.535	5.70
1982....	4.95	5.35	5.35	5.535	5.70
1983....	4.95	5.35	5.35	5.535	5.60
1984....	4.95	5.35	5.35	5.535	5.60
1985....	4.95	5.65	5.65	5.835	5.95
1986....	4.95	5.65	5.65	5.835	6.00
1987....	4.95	5.65	5.65	5.835	6.00

HI PERCENT OF TAX RATE (EACH)

	0.90	0.90	0.90	0.90	0.90
1977...	0.90	0.90	0.90	0.90	0.90
1978....	1.10	1.00	1.00	1.10	1.00
1979....	1.10	1.05	1.00	1.10	1.00
1980....	1.10	1.05	1.00	1.10	1.00
1981....	1.35	1.25	1.30	1.35	1.15
1982....	1.35	1.25	1.30	1.35	1.15
1983....	1.35	1.25	1.30	1.35	1.15
1984....	1.35	1.25	1.30	1.35	1.15
1985....	1.35	1.35	1.30	1.35	1.40
1986....	1.50	1.40	1.45	1.50	1.40
1987....	1.50	1.40	1.45	1.50	1.40

Mr. NELSON. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator's time has expired.

Mr. CURTIS. A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. CURTIS. Have the 15 minutes expired?

The PRESIDING OFFICER. The Senator from Nebraska has 6 minutes.

Mr. CURTIS. And no time remaining over here.

The PRESIDING OFFICER. That is what the record shows.

Mr. CURTIS. Mr. President, I would say that is a well-earned advantage. I had to listen for 15 minutes to unsound philosophy and confusing figures, and by reason of that I get 6 minutes more to respond.

Mr. President, if we raise the wage base on employers from its present \$16,500 up to \$75,000, even though we take it in two steps, what do you suppose we would do?

Think of your State university, an employer that has many high-paid professors, instructors, and administrators. I know what it does to the University of Nebraska. It puts \$1 million a year on them. That is not meeting the situation.

The proponents of the \$75,000 wage base for employers started out with \$100,000. Well, there are not too many being paid more than \$75,000, so the result is just about as bad.

At that time I gathered information from all across the land as to what would be the impact. These figures that I am about to insert in the RECORD relate to the \$100,000 ceiling rather than the \$75,000 ceiling. But I think they would be almost the same. However, I want to be fair about it. A major private university in the State of New York, it would cost them \$1.3 million; a leading national rubber company, \$6 million; a major trunk airline, based in the Southeast, \$11 million.

Mr. NELSON. Mr. President, will the Senator yield for a question?

Mr. CURTIS. Yes.

Mr. NELSON. I have not been able to get figures together, but how much will it cost these same groups based upon the Senator's proposal, how much additional taxes would that be?

Mr. CURTIS. Well, it would be very much less, very much less. I cited the figures a bit ago that the raise of the base for only \$8,000 results in increased taxes of over \$500, while half a percent on payroll is about \$117. Here is the thing, we are trying to raise about \$8 billion and you have got to have a broad base, have it reach everybody.

Mr. President, I ask unanimous consent that this list of examples I started to read be printed in the RECORD in full.

There being no objection, the list was ordered to be printed in the RECORD, as follows:

A major private university in the State of New York: \$1.3 million.

A leading national rubber company: \$6 million.

A major trunk airline, based in the Southeast: \$11 million.

A Nebraska-based major construction company: \$2.8 million.

A Midwestern state university: \$1.4 million.

A textile company in the South: \$2 million.

A leading manufacturer of copymaking equipment, headquartered in Connecticut: \$27 million.

Two Texas-based national oil companies: \$9.1 million and \$20 million, respectively.

Two Oregon educational facilities: \$2 million and \$693,000, respectively.

Mr. CURTIS. Mr. President, I am not overly devoted to computer projections because they depend on what you put in there. Nevertheless, there are some very well-qualified ones. One of them is by the Chamber of Commerce of the United States. They point out, and I quote, speaking of the committee's proposal, "because investment would be less and inflation somewhat higher the Senate Finance Committee substitute bill would cause the economy to grow slower by 0.8 percent by 1980, family income to be \$237 lower, and 400,000 fewer jobs."

Mr. President, I hold in my hand a communication dated October 31, 1977. It is from the National Association of State Budget Officers. Now, budget officers have to deal with the figures of paying the bills of all the State institutions.

They enclose a resolution, and here is what two points in them say: One, "Equal employee and employer contributions," and the next one says, "No use of general funds for continued support of the social security system."

Mr. President, I ask unanimous consent that that resolution be printed in the RECORD.

There being no objection, the resolution was ordered to be printed in the RECORD, as follows:

RESOLUTION

A resolution requesting the Congress of the United States to consider certain concerns of the Committee on Intergovernmental Relations and the Executive Committee of the National Association of State Budget Officers during its consideration of amendments to the Social Security Act and the financing thereof.

Whereas, the Congress of the United States has now before it several proposals regarding the financing of the Social Security System, and

Whereas, state and local governments of the United States are vitally affected and concerned with these proposals, now, therefore,

Be It Resolved by the Committee on Intergovernmental Relations and the Executive Committee of the National Association of State Budget Officers:

1. That we urge the Congress to act expeditiously to assure the soundness of the Social Security System and that in this endeavor it adhere to certain principles:

a. There be no mandatory coverage for state and local units of government. Currently these units have the option of coming under the system or establishing an optional system. Many of these units have made independent provisions relating to the retirement of their employees and the mandatory coverage would be an additional and unnecessary burden on the financial resources of these units. Further, many of the benefits of these retirement systems were gained through the collective bargaining process and any enactment by the Congress of mandatory coverage would be a further benefit without any corresponding decrease in the benefits previously negotiated and covered under the local system. Further recent attempts by Congress to control wage and salary matters of state and local governments were declared unconstitutional.

b. In the event that mandatory coverage is the final action of Congress, it is suggested that the effective date be made several years in the future. This will allow for the necessary financial adjustments to be made within the state and local jurisdictions. Further, it will allow adequate time for court tests to be undertaken with reference to the mandatory coverage.

2. Further, the Committees believe the cost of participation in the Social Security System should continue to be an equal partnership between the employer and the employee. It would be unfair to require the employer, because they are fewer in numbers, to bear a disproportionate share of the increased cost of benefits. Except for the welfare component of the System, this is a retirement system and as such is and should be a substantial responsibility of the individual. An equal sharing of the cost does not seem unreasonable, as has been the history of the program since it was first enacted.

3. Further, the Committees believe General Revenue Funds should not be used on a continuing basis for support of the Social Security System. It may be necessary and

desirable in some instances to use General Revenue Funds to meet certain shortfalls in income; however, the rates should at all times be adequate to meet the benefits which Congress provides. Further, it would be desirable in some way to require the Congress by law to increase rates to meet any increased benefits. Any action which increases benefits without providing the increase in rates to finance those benefits is irresponsible and will continue to erode the public's confidence in financing the system.

4. Further, the Committee believes that in amending the Social Security Act as it relates to state and local units of government, Congress should recognize that basically the budgets of these units of government are fixed and as such are in a very poor position to respond to Congressional enactments during the year in which their budgets have already been enacted. This is very crucial to these units of government and Congress should consider the timing of these enactments and should delay the implementation date until such times as these units can respond to the appropriation of funds to meet the actions Congress has taken in this legislation.

Mr. CURTIS. Now, Mr. President, when this matter was heard before the Committee on Finance—how much time do I have left?

The PRESIDING OFFICER. The Senator has 1 minute remaining.

Mr. CURTIS. Mr. President, when this matter was before the Committee on Finance I asked one of the top actuaries of the United States who, for many years, was the chief actuary of the social security system, to illustrate how we had

constructed the benefits schedule so it was the most generous to people of low income.

I ask unanimous consent that my question and his answer and illustrations found on pages 232 and 233 of those hearings be printed in the RECORD.

There being no objection, the excerpt was ordered to be printed in the RECORD, as follows:

Senator CURTIS. As I say—I do not mention this in any way as criticism—I think that a national policy that is a social system should give preferential treatment to those people who must rely upon that solely, and the individual with resources and higher earnings can better be able to add things for his own retirement where many of the people cannot.

I don't want to take the time right now but, Dr. Myers, would you give, for the record, two or three illustrations both in retirement and in reference to survivors, the dollar amounts of some hypothetical cases which will illustrate that for the committee in the printed record?

Mr. MYERS. Yes, sir. I will be glad to do so, Senator.

[The following was subsequently supplied for the record:]

SILVER SPRING, MD., June 27, 1977.

Subject: Illustrations of social security benefits for persons at different earnings levels.

The attached table presents data on retirement and survivor benefits under the Social Security program for persons at different earnings levels. In summary, these figures indicate very considerable heavier weighting of benefits applicable to persons with low earnings.

The retirement case is for a man retiring

in January 1977 at age 65, and considers only the primary benefit. An individual who had had low earnings in all years before 1977 (at least as far back as 1956) would have a benefit representing about 57 percent of his final wage. On the other hand, such an individual who had had maximum earnings in all years in the past (at least back until 1956) would have such a ratio of only 32 percent. Thus, the low-paid individual would have a relative benefit almost twice as large as the maximum-earnings case.

The lower part of the table shows survivor benefits for a widowed spouse and two eligible children. If the insured worker dies at age 35, the total family benefits are quite sizable, representing 67 percent of the final earnings for the maximum-earnings case and over 100 percent for the low-earnings case. On the other hand, if the deceased worker was older, these benefit percentages would not have been as high. Thus, for age at death 46 or older, the replacement rate would be about 57 percent for the maximum-earnings case. Thus there is again illustrated the much larger relative benefits for persons with low earnings, although the benefits are quite substantial in all cases.

The anomalous situation as to the extremely high benefits for workers dying at young ages (which would be even more if the age at death that was considered was under 30) has been pointed out at times in the past. It would be eliminated under the proposals that would decouple the benefit computations through the use of the wage-indexing method. Under such circumstances, the benefit results for all ages at death would be somewhat similar to those shown in the attached table for ages at death 46 or older.

ROBERT J. MYERS.

Attachment.

Illustrative social security benefits

Earnings category	Earnings in 1976	Monthly benefit payable	Replacement rate (per cent)	Earnings category	Earnings in 1976	Monthly benefit payable	Replacement rate (per cent)
Man retiring in January 1977 at age 65, primary benefit only:				Person dying in January 1977 at age 46 or older, family benefit for widowed spouse and 2 children:			
Maximum	\$15,300	\$412.70	32.4	Maximum	15,300	722.20	56.6
Average	9,266	335.10	43.6	Average	9,266	168.60	80.5
Low ¹	4,600	218.30	56.9	Low ¹	4,600	328.90	85.8
Person dying in January 1977 at age 35, family benefit for widowed spouse and 2 children:							
Maximum	15,300	856.40	67.2				
Average	9,226	711.50	92.5				
Low ¹	4,600	416.50	108.7				

¹ Assumed at \$4,600 in 1976 and following the trend of the average wage in previous years.

Mr. CURTIS. As an illustration, a man retiring in 1977, age 65, if his earnings averaged \$15,000, his social security benefit would be 32 percent of his earnings; if he only made \$4,000 it would be 56 percent of his earnings. There are similar illustrations, but it will all show up in the record.

Mr. President, Thanksgiving is about on us. I would like to have the people of the United States, when they sit down to their Thanksgiving dinner, be thankful for the fact that Congress did not run away, that it did not try to raid the general fund or soak the people, but that they levied the tax necessary to pay these benefits.

The PRESIDING OFFICER. The Chair is advised that the Senator from Nebraska's time has expired, with 1 minute extra for Thanksgiving. [Laughter.]

Mr. CURTIS. I am sure many people are thankful that my time has expired. [Laughter.]

Mr. NELSON. No, I wish the Senator had more time.

Mr. President, I move to table the amendment, and I ask for the yeas and nays.

Mr. CURTIS. I think this is an important issue, and it should not be tabled, but the Senator has that right.

Mr. NELSON. Everybody knows the Senator is for his amendment and I am against it. If I move to table the Senator's amendment, it is an amendment I am against. If it is straight up or down—

Mr. CURTIS. The Senator is right. It carries a connotation and, for tactical reasons, it is used. It should not be used on this amendment. It is used many

times, but I will not make any objection. It takes one more vote to table it than to pass it. Go ahead.

Mr. NELSON. Mr. President, with the consent of the Senator from Nebraska, I move to table and ask for the yeas and nays. [Laughter.]

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. STENNIS. Mr. President, the social security fund paid in is a trust fund for the benefit of the recipients. They have earned their payments.

Heretofore, I have voted against some of the increases in the benefits. The reason was, and I gave it at the time, that the added programs and benefits would cost more than the increase in taxes provided and the fund would become fi-

nancially unsound. This has now happened. There is no way out except to decrease benefits, or increase the taxes.

Mr. President, I support the amendment by the Senator from Nebraska (Senator CURTIS). I do this because I am convinced that it would be a serious mistake for the Congress to depart from the historic concept that the burden of financing social security benefits should be shared equally by the employer and the employee.

The House of Representatives, in the social security financing bill which it adopted, increased the taxable wage base equally for employers and employees. The Senate Committee on Finance recommended that the wage base be raised higher and faster for employers than for employees. If the committee recommendation is adopted it will mark the first time in history that social security taxes have not been equal for employer and employee.

This year both employers and employees are paying taxes on the first \$16,500 of earnings. Under existing law this is scheduled to rise to \$17,700. Under the Finance Committee bill the maximum employer wage base would jump to \$50,000 in 1979 and \$75,000 in 1985. The maximum employee wage base would advance in much smaller steps, to \$19,500 in 1979 and to \$30,300 by 1985.

I certainly realize, Mr. President, that, with relatively fewer workers paying taxes to provide benefits for more retired Americans, higher payroll taxes are inevitable. This is the only course of action which will insure that present and future social security retirees will continue to receive their monthly checks and that the checks keep growing to offset the ravages of inflation. I have been warning for several years that the day of accounting on the solvency of the social security trust fund was approaching.

However, I believe that it would be a serious mistake for us to increase the employer wage base ceiling disproportionately and to the very high levels proposed by the committee bill. While I recognize that this approach has certain attractions, I believe that, in the long run, it would have negative, unpleasant, and unsound results. This is a matter of judgment, of course.

Mr. President, I hope that the Senate will not see fit to depart from the traditional concept that employers and employees will contribute to social security on an equal basis. I think that raising the wage base for employers more than for employees would be burdensome, unfair, and inequitable and I hope, therefore, that the amendment offered by the Senator from Nebraska will be adopted.

I wish it was possible to provide that no funds collected under these new tax schedules could ever be used to pay any benefits not provided by law through this or prior legislation. This would be a provision that could be modified by future congressional acts. I say now, however, with emphasis, that prudence dictates that future benefits should not be added unless completely new sources of revenue are also added to provide the money.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Wisconsin to lay on the table the amendment of the Senator from Nebraska. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Arkansas (Mr. BUMPERS), the Senator from Iowa (Mr. CULVER), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Hawaii (Mr. INOUE), and the Senator from Arkansas (Mr. McCLELLAN) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. GOLDWATER), the Senator from Kansas (Mr. PEARSON), and the Senator from New Mexico (Mr. SCHMITT) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

Mr. DOLE. Regular order, Mr. President.

The PRESIDING OFFICER (Mr. BAYH). The regular order has been called for, but that does not speed up the clerk's addition.

The result was announced—yeas 44, nays 45, as follows:

[Rollcall Vote No. 611 Leg.]

YEAS—44

Anderson	Hart	Metzenbaum
Bayh	Haskell	Moynihan
Bentsen	Hathaway	Nelson
Biden	Hollings	Pell
Brooke	Huddleston	Proxmire
Burdick	Jackson	Randolph
Cannon	Johnston	Ribicoff
Church	Kennedy	Riegle
Clark	Long	Sarbanes
Cranston	Magnuson	Sasser
DeConcini	Matsunaga	Stafford
Durkin	McGovern	Stevenson
Eastland	McIntyre	Weicker
Ford	Melcher	Williams
Gravel	Metcalf	

NAYS—45

Allen	Glenn	Packwood
Baker	Griffin	Percy
Bartlett	Hansen	Roth
Bellmon	Hatch	Schweiker
Byrd	Hatfield	Sparkman
Harry F., Jr.	Hayakawa	Stennis
Byrd, Robert C.	Heinz	Stevens
Case	Helms	Stone
Chafee	Javits	Talmadge
Chiles	Laxalt	Thurmond
Curtis	Leahy	Tower
Danforth	Lugar	Wallop
Dole	Mathias	Young
Domenici	McClure	Zorinsky
Eagleton	Morgan	
Garn	Nunn	

NOT VOTING—11

Abourezk	Humphrey	Pearson
Bumpers	Inouye	Schmitt
Culver	McClellan	Scott
Goldwater	Muskie	

So the motion to lay on the table was rejected.

The PRESIDING OFFICER. The question now recurs on the amendment of the Senator from Nebraska. The yeas and nays have previously been ordered and the clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. CURTIS. Mr. President, I move to reconsider the vote by which the motion was rejected.

Mr. METZENBAUM. Mr. President, was the rollcall started?

Mr. PELL. Regular order, Mr. President.

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. May the Chair answer the point raised by the Senator from Ohio? The rollcall had started but the Chair is advised that no one had responded. The suggestion of the Senator from Nebraska is in order.

QUORUM

Mr. CURTIS. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The assistant legislative clerk proceeded to call the roll.

Mr. METZENBAUM. Point of order, Mr. President.

The PRESIDING OFFICER. The Chair is advised the point of order will have to wait until after the quorum call.

The second assistant legislative clerk called the roll and the following Senators answered to their names:

[Quorum No. 65 Leg.]

Abourezk	Glenn	Morgan
Allen	Goldwater	Moynihan
Anderson	Gravel	Nelson
Baker	Hansen	Nunn
Bartlett	Hart	Packwood
Bayh	Haskell	Pell
Bellmon	Hatch	Percy
Bentsen	Hatfield	Proxmire
Biden	Hathaway	Randolph
Brooke	Hayakawa	Ribicoff
Burdick	Heinz	Riegle
Byrd	Helms	Roth
Harry F., Jr.	Hollings	Sarbanes
Byrd, Robert C.	Huddleston	Sasser
Cannon	Jackson	Schweiker
Case	Javits	Sparkman
Chafee	Johnston	Stafford
Chiles	Kennedy	Stennis
Church	Laxalt	Stevens
Clark	Leahy	Stevenson
Cranston	Long	Stone
Curtis	Lugar	Talmadge
Danforth	Magnuson	Thurmond
DeConcini	Mathias	Tower
Dole	Matsunaga	Wallop
Domenici	McClure	Weicker
Durkin	McGovern	Williams
Eagleton	McIntyre	Young
Eastland	Melcher	Zorinsky
Ford	Metcalf	
Garn	Metzenbaum	

The PRESIDING OFFICER (Mr. MELCHER). A quorum is present.

The question is on agreeing to the amendment offered by the Senator from Nebraska. The yeas and nays have been ordered and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Iowa (Mr. CULVER), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Hawaii (Mr. INOUE), and the Senator from Arkansas (Mr. McCLELLAN) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) and the Senator from Iowa (Mr. CULVER) would each vote "nay."

Mr. STEVENS. I announce that the Senator from Michigan (Mr. GRIFFIN), the Senator from Kansas (Mr. PEARSON), and the Senator from New Mexico (Mr. SCHMITT) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT), is absent on official business.

The result was announced—yeas 40, nays 50, as follows:

[Rollcall Vote No. 612 Leg.]

YEAS—40

Allen	Garn	Percy
Baker	Glenn	Roth
Bartlett	Goldwater	Sasser
Bellmon	Hansen	Schweiker
Byrd	Hatch	Stennis
Harry F., Jr.	Hatfield	Stevens
Byrd, Robert C.	Hayakawa	Stone
Chafee	Helms	Talmadge
Chiles	Laxalt	Thurmond
Curtis	Lugar	Tower
Danforth	Mathias	Wallop
Dole	McClure	Young
Domenici	Morgan	Zorinsky
Eastland	Nunn	

NAYS—50

Abourezk	Hart	Metcalf
Anderson	Haskell	Metzenbaum
Bayh	Hathaway	Moynihan
Bentsen	Heinz	Nelson
Biden	Hollings	Packwood
Brooke	Huddleston	Pell
Burdick	Jackson	Proxmire
Cannon	Javits	Ribicoff
Case	Johnston	Riegle
Church	Kennedy	Sarbanes
Clark	Leahy	Sparkman
Cranston	Long	Stafford
DeConcini	Magnuson	Stevenson
Durkin	Matsunaga	Weicker
Eagleton	McGovern	Williams
Ford	McIntyre	
Gravel	Melcher	

NOT VOTING—10

Bumpers	Inouye	Schmitt
Culver	McClellan	Scott
Griffin	Muskie	
Humphrey	Pearson	

So Mr. CURTIS' amendment (No. 1579) was rejected.

(Later the following occurred:)

Mr. BAYH. I apologize to my colleague and express my deep appreciation. Out of necessity, I have to be absent from the Chamber.

Mr. President, I ask unanimous consent that the vote I cast on the Curtis amendment which somehow or other was cast yea be changed to nay. This will not change the results. I have checked with Senator CURTIS and Senator NELSON and they have no objection.

The PRESIDING OFFICER. Without objection, it is so ordered.

(The foregoing rollcall vote reflects the above order.)

Mr. NELSON. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. DECONCINI. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Several Senators addressed the Chair.

The PRESIDING OFFICER (Mr. HARRY F. BYRD, JR.) The Senator from New Hampshire is recognized.

Mr. MCINTYRE. Mr. President, I shall call up my amendment.

Mr. DECONCINI. Mr. President, will the Senator yield?

Mr. CURTIS. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. MCINTYRE. I yield first to the Senator from Arizona.

Mr. DECONCINI. Mr. President, I ask unanimous consent that Lois Pfau, of my staff, be accorded the privilege of the floor during debate on this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MCINTYRE. I yield to the Senator from Nebraska.

Mr. CURTIS. Mr. President, I ask unanimous consent that Polly Gault, of Senator SCHWEIKER's staff, Dave Rust and Jack Miller, of the staff of the Aging Subcommittee, and Nancy Barrow, of Senator CHAFEE's staff, be accorded the privilege of the floor during consideration of this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MCINTYRE. Mr. President, I yield to the Senator from Wyoming.

The PRESIDING OFFICER. The Senate will be in order.

Mr. MCINTYRE. I yield to the Senator from Wyoming.

Mr. WALLOP. Mr. President, I ask unanimous consent that Bob Reynolds, of my staff, be accorded the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MCINTYRE. I yield to the Senator from Ohio.

Mr. GLENN. Mr. President, I ask unanimous consent that Thomas Dougherty, of my staff, be accorded the privilege of the floor during consideration of this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MONYIHAN. Mr. President, I make the same unanimous-consent request for Dr. Finn and Miss Bardacke, of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MCINTYRE. I yield to the Senator from Kansas.

Mr. DOLE. Mr. President, I ask unanimous consent that Jack Hunter, of my staff, be accorded the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I ask unanimous consent that Mr. Gary Sellers, of Senator CRANSTON's staff, be accorded the privilege of the floor during consideration of this pending legislation.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senate will be in order.

The Senator from New Hampshire has the floor, and the Senate will be in order before we will proceed.

Will Senators take their seats so that the Senator from New Hampshire may proceed.

The Senator from New Hampshire.

AMENDMENT NO. 1580

Mr. MCINTYRE. Mr. President, I call up amendment No. 1580 and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

The Senator from New Hampshire (Mr. MCINTYRE), for himself and Mr. DURKIN, proposes an amendment numbered 1580.

Mr. MCINTYRE. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Insert at the appropriate place the following:

VETERANS' PENSION AND COMPENSATION

SEC. 204. (a) Subsection (g) of section 415 of title 38, United States Code, is amended by adding at the end thereof the following new paragraph:

"(4) In determining the annual income of any individual who is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, the Administrator, before applying paragraph (1) (G) of this subsection, shall disregard any part of such benefits which results from (and would not be payable but for) any cost-of-living increase in such benefits occurring pursuant to section 215(1) of the Social Security Act which occurs after September 1, 1978, and after the date on which such individual becomes eligible for dependency and indemnity compensation under this section."

(b) Section 503 of title 38, United States Code, is amended by adding at the end thereof the following new subsection:

"(d) In determining the annual income of any individual who is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, the Administrator, before applying subsection (a) (6) of this section, shall disregard any part of such benefits which results from (and would not be payable but for) any cost-of-living increase in such benefits occurring pursuant to section 215(1) of the Social Security Act which occurs after September 1, 1978, and after the date on which such individual becomes eligible for pension under this chapter."

(c) In determining the annual income of any person for purposes of determining the continued eligibility of that person for, and the amount of, pension payable under the first sentence of section 9(b) of the Veterans' Pension Act of 1959; the Administrator of Veterans' Affairs shall disregard, if that person is entitled to monthly benefits under the insurance program established under title II of the Social Security Act, any part of such benefits which results from (and would not be payable but for) any cost-of-living increase in such benefits occurring pursuant to section 215(1) of the Social Security Act which occurs after September 1, 1978.

(d) The amendments made by this section shall apply with respect to annual income determinations made pursuant to sections 415(g) and 503 (as in effect on and after June 30, 1960) of title 38, United States Code, and pursuant to section 9(b) of the Veterans' Pension Act of 1959, for calendar years beginning after September 1, 1978.

Mr. MCINTYRE. Mr. President, I ask unanimous consent that the Senator from New Hampshire (Mr. DURKIN), the Senator from Maine (Mr. HATHAWAY), the Senator from Michigan (Mr. GRIFFIN), and the Senator from Kansas (Mr. DOLE) be added as cosponsors of this amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MCINTYRE. Mr. President, it is a simple amendment, and I shall try to be brief.

This amendment would make certain that recipients of veterans' pensions and compensation will not have the amount of such pension or compensation reduced because of increases in monthly social security benefits due to cost-of-living increases.

I cannot go up to my State without hearing the veterans lament at the unfairness of the present veterans' pension program. The Congress passes a cost-of-

living increase to help social security recipients keep up with inflation, and yet the Government through the Veterans' Administration takes most of the increase by reducing the veteran's pension. Often the pensioner receives no increase. Clearly this is not what Congress intended.

Veterans' pensions, except in the cases of service-connected death or disability, are awarded in cases of great need or advanced age. The veteran's pension is equivalent to an amount which maintains his entire income at not more than \$3,540. The amount of a veteran's pension is dependent on the difference between \$3,540 and his total income from other sources. Since social security benefits are included in the sum of "other sources," his pension allowance is reduced by an increase in social security benefits. The social security system was established by Congress to protect citizens and their families when earnings are stopped or reduced because of the citizen's death, disability, or retirement. Benefits are paid to those who contributed a set minimum to the social security system during their working years or to their beneficiaries.

These two systems are the foundation of the Federal income insurance program in this country. Ideally, these systems, along with other social service programs such as medicare, medicaid, and veterans' medical services, should work in harmony to insure that those Americans who need assistance can obtain it. However, that is not the case today.

I know that each and every one of my colleagues has received many letters from constituents concerning this unfairness. I personally find it impossible to respond in any rational way for this unfairness. Members of the House and the Senate have introduced over 90 pieces of legislation in the 95th Congress to change this practice. There are three bills pending in the Senate Veterans' Affairs Committee that are similar to my amendment.

The Senate Veterans' Affairs Committee, under the most able leadership of Senator CRANSTON, has been wrestling with this problem for a long time. Clearly an overall reform of the pension program is in order and I know that this is the committee's No. 1 priority now that the GI Bill Improvement Act has been approved by the Senate. But even the committee cannot assure us that pension reform will pass both the House and the Senate next year. If that pension reform is approved, this amendment will most certainly be deleted in the course of its actions. But until that happens, I want to be able to tell New Hampshire's veterans the Senate realized there was an inequity in the law and that we made the law more equitable.

The Senate Veterans' Affairs Committee has not endorsed any of the bills offered by Senators DURKIN, PEARSON, and MATSUMAGA because of difficulties it sees in each. My amendment is modified in such a way as to make it more financially amenable. These bills have made the cost-of-living pass-through retroactive. My bill does not. Only cost-of-living increases after the enactment of this

bill would not be counted in determining the veterans' pension. The problem of administration is simplified and the cost of my proposal further reduced by mandating that the pension of any veteran joining the veterans' pension plan after the enactment of this bill would be determined on the basis of the amount of social security benefits at the time they join the plan. However, any cost-of-living increases given after they joined the veterans' pension program would not be a cause for the redetermination of their pension level.

This amendment would add no further burden on the already overburdened social security system. This amendment would add, I admit, some cost to the veterans' pension program. However, if Congress and the Senate are sincere in their attempts to help veterans and the elderly survive inflation, the higher costs of food, rent, and especially fuel, this amendment must be passed.

Mr. President, we must put an end to this absurd system with its ravaging impact on the veterans of this Nation. Congress has tried repeatedly to increase veterans' pensions to compensate for declines caused by social security adjustments but this band-aid approach has just not worked. As the thousands of letters to Senators each year reveal, if this amendment is not adopted, many veterans' pension recipients with incomes below the poverty level will continue to lose their veterans' pensions as a result of the cost-of-living increases in social security benefits. There is no logic in the Government giving benefits with one hand and taking them away with the other, if the recipients are unable to maintain even a minimum standard of living. Mr. President, I urge the Senate to act now as they did 2 years ago to redress this wrong. I urge the adoption of my amendment.

Mr. DURKIN. Mr. President, will the Senator yield?

Mr. MCINTYRE. I yield to the distinguished Senator from New Hampshire.

Mr. DURKIN. I thank my distinguished colleague. I am pleased to join with my colleagues Senator MCINTYRE of New Hampshire and Senator HATHAWAY of Maine in sponsoring this amendment, and I am pleased to have this opportunity to address the Senate.

This amendment would insure that all veterans including World War I veterans are fairly and adequately covered. Every time I have toured or visited a senior citizens center or VA hospital in Manchester, the first thing veterans ask is, "Are we going to be victimized again or are we going to receive a small increase in our social security, and is our veterans pension going to be reduced as a result of that?"

You know we spend an awful lot of money around here. But it seems to me regrettable we have to so torment the veterans who are looking forward to social security, looking forward to maintaining their right to survive.

Earlier this year I introduced legislation which was aimed at ending this inequity by disregarding cost-of-living increases under social security when de-

termining annual veterans pension benefits. Regrettably, we have not been able to get action in the Veterans' Committee on my bill.

The proposal before the Senate today will guarantee that actual cost-of-living increases under the social security system cannot be used to reduce the amount of a veterans pension allowance. Needy and deserving veterans who are forced to live on a veteran's pension and social security should be able to receive an income which enables them to survive at a decent standard of living.

We are not talking about the wealthy; we are not talking about those who are clipping coupons in some Florida condominium. We are talking about people who are struggling to exist, struggling to pay their oil bills, struggling to pay their electric bills, struggling to survive.

I think this amendment provides the wherewithal for these unfortunate citizens, these veterans who fought so hard for this country when I was still in school to have a dignified existence.

Mr. President, this amendment simply says that the Government should not give with one hand and take with the other. The purpose of social security cost-of-living increases is to keep inflation from eroding the value of these hard-earned benefits. Yet the intent of these increases has been frustrated by a system under which the benefits are reduced by any corresponding increase in monthly social security benefits.

The Congress has made a determination that cost-of-living increases are essential for those receiving benefits and attempting to live a decent life on fixed incomes. A result which takes away these increases is not only unfair to millions of veterans, but it also clearly denies the congressional purposes in allowing cost-of-living increases.

Mr. President, we have here an opportunity to end a system which unfairly deprives veterans of the full value of their benefits. I, therefore, strongly urge my colleagues to join in adopting this amendment as a means of correcting this long-standing inequity.

Mr. MCINTYRE. Mr. President, I thank my colleague for his support.

I ask unanimous consent that the distinguished Senator from Alabama (Mr. ALLEN) and the distinguished Senators from North Carolina (Mr. HELMS and Mr. MORGAN) be added as cosponsors to the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from California (Mr. CRANSTON).

Mr. CRANSTON. Mr. President, this is a veterans' pension amendment, not a social security amendment. Veterans' pension benefits are related to need—they should take into account other sources of income. The amendment gives preferential treatment to veterans with social security income compared to veterans with other kinds of income, or no other income. After a few years this would result in very large differences in the adequacy of benefits without any relationship to need.

By giving significantly increased

amounts to those pension recipients with the least need, the amendment would deny the Congress an opportunity to provide substantial increases to those pension recipients who need it most—the veterans with little or no income other than their pension.

Enactment of this amendment will, in fact, render it difficult if not impossible to achieve the much needed reform of the pension program, by setting up arbitrary classes of protected pensioners.

Mr. CRANSTON. Mr. President, while I share the Senator's deep concern that needy veterans and survivors receiving pension, who also have social security income, not be deprived of the full benefit of a social security cost-of-living increase because of the lack of coordination between the social security system and the way in which veterans' pension payments are determined, I do not at all agree that the approach contained in this amendment is a constructive solution to the problem, or, indeed, a solution at all. As I have many times reiterated, a major priority of the Committee on Veterans' Affairs is the restructuring of the need-based pension program. The pension reform bill which I intend to introduce will restructure the system in a way that will coordinate the payment of veterans pension with the social security system so that no pensioner receiving pension under the new program can ever lose the benefit of even \$1 of a social security cost-of-living increase. Moreover, I have directed the staff of the Veterans' Affairs Committee to investigate ways in which this problem could be solved for those persons who do not elect, or who are not eligible for, pension under the new program we will be proposing.

This amendment would substantially interfere with the goal of making the pension system more equitable, because it benefits only those who have social security income, and does nothing to assist those without such income.

There are two other very important arguments against this amendment. First, it would set up arbitrary and discriminatory classes of pensioners who had social security income. Such pensioners would receive widely varying pension amounts not because the needs or even the other income available to these pensioners differ, but only because the pensioners entered the program in different years. In other words, the pensioners who would benefit the most are those who are currently receiving pension or who begin to receive it before July 1, 1979. They would receive larger pensions than those in succeeding years who have identical social security incomes; new pensioners in each succeeding year would always be worse off than those in all the previous years. For example, a current pensioner with \$250 per month of social security income, this year has \$225 "countable income," as that term is used by the VA. If the CPI increases at 6 percent during the next few years, and if the Senator's amendment were enacted, the same pensioner's "countable income" in 1981 would be \$219, less than it is now, because of the compounding effect of the annual cost-

of-living adjustments in social security. But even worse, a new pensioner in 1982—who has equivalent social security income—would have "countable income" of \$263, \$44 more than the first pensioner. The first person would have a much larger pension than the second—and I repeat, the only difference between them would be the years in which they entered the pension program. Moreover, the inequity illustrated by this example would be annually compounded; and the end result would strike at the very foundation of the need-based pension program.

Second, this would be a very costly change. A CBO estimate of the first-year cost of a nonretroactive bill similar to this amendment is \$118.9 million, which would have fiscal impact in 1980. In other words, no one would benefit from this amendment until 1980. The very people intended to be helped would have to wait until 1980 before they would receive any additional pension payment resulting from this amendment. This amendment is thus a hoax in terms of real help to beleaguered pensioners. Its effective date of September 1, 1978, is totally illusory and makes a mockery of the Congressional Budget Act and process.

While it has been impossible, because of the constraints of time, to obtain an estimate of the cost of this amendment for future fiscal years, we are informed by CBO that the 5-year cost would probably be in the billions of dollars. The device of allowing future pensioners to exclude only prospective social security cost-of-living increases has very little effect on the very high cost in future years. And most significantly, the cost does not begin to go down in future years; it would rise continuously.

Mr. President, as chairman of the Veterans' Affairs Committee, I strongly oppose this amendment. It seems to deal with a very real problem, but in an inequitable and unrealistic way.

As to the effect of last July's social security 5.9 percent increase, the House and Senate have just agreed to a 6.5-percent pension increase bill, H.R. 7345, which would insure that almost all of the more than 1.7 million veterans' pensioners who also receive social security benefits will have their pension benefits increased in January, 1978, because of the change in pension rates contained in H.R. 7345, and the average annual increase will be \$95.

This amendment is neither fair nor equitable. I, therefore, hope it will be tabled, and intend to move to do so in just a moment.

Mr. DURKIN. Mr. President, will the Senator yield for a question?

Mr. CRANSTON. Certainly.

Mr. DURKIN. As you know, I serve on the Veterans' Committee with my friend from California, and I commend him for his long abiding concern with veterans and their problems. He has been a leader in the Senate in helping the veterans, and I have joined him.

But why do we have to torment these poor souls while we wait for the Veterans' Committee of the Senate and the Veterans' Committee of the House of Representatives to act on a pension for

them? Why can we not take care of these people now, and then address the full realm of pension reform early next year? God knows we are not going to get to it this year, and this is some Christmas present we are sending to the veterans.

They read in the paper that they are getting a social security increase, and they are happy, they smile, for about 5 minutes; and then they turn around and hear that veterans' pensions will be reduced. I, for the life of me, cannot understand why we have to wait for the congressional budget process in order to help these unfortunate souls. They cannot burn the congressional budget process and all the hallowed traditions of this place in their furnaces and oil burners. They have a pressing need which should be met right now; and while we have our hallowed halls and traditions and conferences, what do these veterans have? Why do these people have to wait?

Mr. CRANSTON. The basic problem is that while we need pension reform generally, the more we press for it now, the more difficult it will be to achieve meaningful pension reform.

Mr. DURKIN. Will the Senator yield right at that point? Are you telling me we are going to hold these poor people hostage? That is what we would be doing if we wait, holding these people hostage to some hallowed tradition in this place and I submit that is unfair.

Mr. CRANSTON. The amendment would not help anyone until 1980, so we are hardly holding them hostage, since we expect and intend to achieve pension reform before 1980.

I also stress very strongly that the amendment discriminates between and among veteran pensioners, and against veteran pensioners who do not have social security benefits.

Mr. MCINTYRE. Mr. President, will the Senator yield?

Mr. CRANSTON. I yield to the senior Senator from New Hampshire.

Mr. MCINTYRE. I thank the Senator from California. As I understand, this amendment would become effective and payments would be made pursuant to this amendment in 1979, not 1980.

It is my understanding that the distinguished Senator from California intends to move to table the amendment, so at this time I would like to ask for the yeas and nays on my amendment or any motion thereto.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. BELLMON. Mr. President, will the Senator from California yield?

Mr. CRANSTON. I am happy to yield to the Senator from Oklahoma.

Mr. BELLMON. Mr. President, I rise in opposition to this amendment.

The McIntyre amendment has clearly been written to circumvent the budget process. There is not sufficient room in the 1978 second budget resolution to fund the full year effect of the McIntyre amendment. To delay the effective date of fiscal 1979—beyond October 1, 1978—would require a section 303 waiver. The September 1, 1978, date will result in no fiscal 1978 spending. Therefore, it is

technically consistent with the budget resolution and the provisions of the Budget Act. Such action would seriously violate the spirit of the Budget Act and distort the intent of the budget resolution by creating a substantially higher entitlement base on which fiscal 1979 spending decisions will be made than was anticipated by Congress in adopting the 1978 budget resolution.

We are going to get different figures of what this is likely to cost, but my estimates are that the first-year cost will be somewhere around \$200 million.

Because of income and payment determinations which will not be made until after January 1, 1979, there will be no impact on the fiscal 1978 budget.

The unofficial estimate of the total 5-year cost of this amendment is around \$1 billion; so I would join the Senator from California (Mr. CRANSTON) in opposing the amendment, and hope the Senate will give time for the Veterans' Affairs Committee and the Budget Committee to consider seriously the impact of the action that we are about to take.

Mr. CRANSTON. I thank the Senator very much.

Mr. MCINTYRE. Mr. President, may I be recognized in my own right?

The PRESIDING OFFICER. The Senator from New Hampshire is recognized.

Mr. MCINTYRE. I yield to my good friend from Maine.

Mr. HATHAWAY. I thank the Senator for yielding. It is a pleasure to join with him and his junior colleague in sponsoring the pending amendment.

While the amendment may not be a perfect solution to the problem, and while I believe that reform of the veterans' pension program, of course, is necessary, I agree with both of the Senators, and those who have spoken in favor of the amendment, that the veterans cannot wait. We cannot ask them to wait for 2 or 3 years more for us to correct what we believe and I think the majority in this body believe is a gross inequity. I certainly hope Congress will take action on pension reform before the provisions of this amendment are effective; but I want the Senate to pass this amendment, so that in the eventuality that the veterans pension reform is delayed once again, America's veterans will be able to keep their meager cost-of-living increase.

Mr. President, this amendment is crucial to veterans. It is crucial to Congress. In adopting this amendment, we can show the veterans throughout the country that we are not insensitive to their needs, and that we are not going to continue this absurd policy of giving with one hand and taking away with the other.

I thank the Senator for yielding.

Mr. MCINTYRE. I thank my able friend from Maine.

Mr. ROTH. Mr. President, of the dozens of Government policies which make no sense, the one we are discussing now is among the worst. For years I have received mail from constituents who want to know why the Government takes

away with one hand what it gives with the other. I can see no justification for continuing a system in which we vote a social security increase because elderly pensioners need more money, then automatically reduce their veterans pension because social security has risen. It is a policy which makes utterly no sense and is totally unexplainable.

I favor Senator MCINTYRE's amendment because it will eliminate this system. I have discussed this problem with members of the Veterans' Affairs Committee in the past, and know that some prefer to address this problem in the context of overall pension reform. Personally, I see no need to wait. The issues involved are simple and straightforward, familiar to every Member of the Senate. There is no need to delay any further, so I urge others to also support this amendment.

The PRESIDING OFFICER. If the Senator from New Hampshire will permit the Chair to clarify a point, the Senator from New Hampshire earlier asked for the yeas and nays on his amendment or any motion in relation thereto. The Chair would state to the Senator from New Hampshire that such a motion would require unanimous consent for it to be in order. The Senator could ask for the yeas and nays on his amendment separately without unanimous consent.

Mr. MCINTYRE. Mr. President, the Senator from New Hampshire asks for the yeas and nays on his amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. MCINTYRE. Mr. President, I yield the floor.

Mr. BELLMON. Mr. President, on behalf of myself, Mr. EAGLETON, and Mr. DOMENICI, I send a motion to the desk and ask that it be reported.

The PRESIDING OFFICER. The clerk will report the motion.

The legislative clerk read as follows:

I move to commit the pending bill to the Committee on Finance, with instructions to report the bill during the month of February 1978.

Mr. DURKIN. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DURKIN. Is that motion in order?

The PRESIDING OFFICER. The motion is in order.

Mr. CRANSTON. Would the Senator mind withholding until we dispose of the pending amendment?

Mr. BELLMON. Mr. President, it would seem to me it would be advantageous to dispose of the motion before we dispose of the amendment.

Mr. President, H.R. 9436, the social security financing bill, is intended to be the major piece of social security legislation maybe the most significant we shall see for the balance of the 20th century.

It is clearly a highly significant bill and may be the most significant bill that has been considered since social security was created. It is intended to solve the financial defects of the present system for at

least the next 30 years. I believe that, as Members of the Senate, we owe it to ourselves and to our constituents to make certain that the costs and the full implications of this bill and the amendments thereto are fully understood before we vote on them. The bill, Mr. President, was taken up by the Senate the very day it was reported. Copies of the bill were not available until the middle of the afternoon yesterday.

Mr. President, does it take unanimous consent to put my motion over until after the vote on the McIntyre amendment?

The PRESIDING OFFICER. Yes, it would. The motion of the Senator from Oklahoma takes precedence.

Mr. ALLEN. Mr. President, I ask unanimous consent that the Bellmon motion be temporarily laid aside until after disposition of the McIntyre amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none.

Without objection, it is so ordered.

The question is on agreeing to the amendment as offered by the Senator from New Hampshire.

Mr. NELSON. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. ALLEN. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with consideration of the bill.

Mr. CRANSTON. Mr. President, is it in order now to ask for the yeas and nays on a tabling motion on the McIntyre amendment?

The PRESIDING OFFICER. It is. The tabling motion has not yet been made. It will take unanimous consent to ask for the yeas and nays.

The motion to table is in order. Then it would be in order to ask for the yeas and nays.

Mr. CRANSTON. I want to make one statement about the effective date and the question of whether or not we are holding anybody hostage.

The date of the first social security cost-of-living increase after September 1, 1978, is July 1, 1979. That is the first increase to be affected by the pending amendment by its own terms. It will not affect the payment of pensions until February 1, 1980. This results from the fact that even though the social security cost-of-living increase occurs in July 1979, it cannot have any effect on the pension payment until after the end of the calendar year, that is, January 1, 1980, and even then, under the law, would not affect the pension payable until February 1980, because a rate increase is only payable for the month following the month in which it becomes effective. Not one pensioner will benefit from this amendment until that time.

I move to lay on the table the pending amendment. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table.

The yeas and nays have been ordered. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Arkansas (Mr. BUMPERS), the Senator from Iowa (Mr. CULVER), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Hawaii (Mr. INOUE), and the Senator from Arkansas (Mr. MCCLELLAN) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "nay."

Mr. STEVENS. I announce that the Senator from Nevada (Mr. LAXALT), the Senator from Kansas (Mr. PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Wyoming (Mr. WALLOP) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

I further announce that, if present and voting, the Senator from Wyoming (Mr. WALLOP) would vote "nay."

The result was announced—yeas 20, nays 68, as follows:

[Rollcall Vote No. 613 Leg.]

YEAS—20

Bellmon	Eagleton	Moynihan
Bentsen	Gravel	Nelson
Byrd	Hansen	Packwood
Harry F. Jr.	Hollings	Randolph
Byrd, Robert C.	Leahy	Ribicoff
Chafee	Long	Stafford
Cranston	Lugar	Stevenson

NAYS—68

Allen	Goldwater	Metzenbaum
Anderson	Griffin	Morgan
Baker	Hart	Nunn
Bartlett	Haakell	Pell
Bayh	Hatch	Percy
Biden	Hatfield	Proxmire
Brooke	Hatjaway	Riegle
Burdick	Hayakawa	Roth
Cannon	Heinz	Sarbanes
Case	Helms	Sasser
Chiles	Huddleston	Schweiker
Church	Jackson	Sparkman
Clark	Javits	Stennis
Curtis	Johnston	Stevens
Danforth	Kennedy	Stone
DeConcini	Magnuson	Talmadge
Dole	Mathias	Thurmond
Domenici	Matsunaga	Tower
Durkin	McClure	Weicker
Eastland	McGovern	Williams
Ford	McIntyre	Young
Garn	Melcher	Zorinsky
Glenn	Metcalfe	

NOT VOTING—12

Abourezk	Inouye	Pearson
Bumpers	Laxalt	Schmitt
Culver	MCClellan	Scott
Humphrey	Muskie	Wallop

So the motion to lay on the table amendment No. 1580 was rejected.

Mr. MCINTYRE. Mr. President, I move the adoption of my amendment.

The PRESIDING OFFICER (Mr. STEVENSON). The question is on agreeing to the amendment. On this question the yeas and nays have been ordered, and the clerk will call the roll.

Mr. MCINTYRE. Mr. President, I ask unanimous consent that the order for the yeas and nays be vitiated.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. MCINTYRE. Mr. President, I ask unanimous consent that the names of the following Senators be added as cosponsors of the amendment: the Senator from South Carolina (Mr. THURMOND), the Senator from Oregon (Mr. HATFIELD), the Senator from Idaho (Mr. CHURCH), the Senator from Montana (Mr. MELCHER), and the Senator from Kentucky (Mr. FORD).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I wonder whether the Senator from New Hampshire will yield for a question, just for my information.

Mr. MCINTYRE. I am happy to yield.

Mr. NELSON. What is the fiscal projection of the cost of this bill when the 14 million World War II veterans reach age 65?

Mr. MCINTYRE. I do not know. The cost projected for 1979 would be \$200 million.

Mr. NELSON. In 1979. And most of the World War II veterans have not yet reached 65. Does the Senator have any idea of what we are doing with our money?

Mr. MCINTYRE. Will the distinguished

Senator listen for a minute to the response?

What this amendment attempts to do is to address an inequity which has been going on for years. We all heard the distinguished Senator from California say that his pension reform bill is in the works. That bill treats all this equitably and correctly. It will be able to diminish some of the financial blow of this bill.

In the meantime, the amendment allows a year for the Veterans' Committee to come up with a pension reform bill; and if it does not do so, we think this inequity should be corrected, and that is the reason for this amendment.

Mr. NELSON. I should like to make one point on this matter.

I am sure there are inequities. I never saw the amendment until an hour ago. But I make the point that it is time that the U.S. Senate and Congress passed a rule that said that no amendment affecting pensions can be adopted without being referred to an appropriate pension committee, with a fiscal note.

I do not know how many billions we are dealing with. In the Wisconsin State Legislature, any amendment offered on the floor on a pension proposal is out of order. It has to go to the pension committee; and when the pension committee looks at the proposal and makes the appropriate fiscal note, it is the last you ever heard of the amendment because of the billions these kind of proposals cost.

Those Senators who talk fiscal responsibility to constituents and all over these Chambers ought to say, "For Heaven's sake, let us at least be honest enough to recognize that we are all cowards when it comes to giving something away—especially the Treasury."

Mr. MCINTYRE. Mr. President, the amendment of the Senator from New Hampshire was at the desk as of yesterday, so the distinguished manager of this bill had ample opportunity to read it and be acquainted with it.

Mr. NELSON. I take it back. So, among all that pile of amendments, there was one at the desk yesterday, which I point out is entirely nongermane to the pending legislation.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New Hampshire.

The amendment was agreed to.

Mr. DURKIN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. MCINTYRE. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

The PRESIDING OFFICER. The question occurs on the motion of the Senator from Oklahoma.

Mr. BELLMON. Mr. President, is it necessary that the motion be restated?

The PRESIDING OFFICER. It is not necessary. It can be done if the Senator so chooses.

Mr. BELLMON. Then for the enlightenment of the Members in the Chamber let me say that this is simply a motion to commit H.R. 9346 to the Finance Committee to report it back during——

Mr. NELSON. May we have order so we can hear the Senator?

Is this the Senator's motion to refer the social security bill to the Finance Committee?

Mr. BELLMON. That is true.

Mr. NELSON. With a report-back date of what?

Mr. BELLMON. During the month of February.

Mr. NELSON. During the month of February.

Mr. BELLMON. It gives the committee a good bit of flexibility.

Mr. President, I pretty well made my arguments.

November 3, 1977

I sum up by saying that this bill was brought out from the committee the same day it was brought to the floor. We did not have copies of it until midafternoon yesterday. The committee report was put on our desk this morning. It is 180 pages long. There are many amendments to the bill that are going to be subject to points of order unless we can somehow or other get the Budget Committee together to consider all of these amendments and try to determine what their financial impact will be.

It seems to me that there is no hurry on this legislation, that it does not go into effect until toward the end of next fiscal year. There is ample time to consider the legislation in an orderly way, and I am frankly at a loss to see what the big hurry is. I believe it would be very much in the interest of getting a better bill to commit it to the committee and give them time to consider it and then take it up in an orderly way.

Mr. President, I ask for the yeas and nays on my motion.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ALLEN. Mr. President, I support the motion to recommit and, in fact, I am privileged and honored to be a cosponsor of the motion.

There is no reason at all to speed this bill through the Senate, to the conference committee, and for final adoption before we adjourn here later this month, I assume.

The provisions of the bill do not become effective until October 1 of next year. Therefore, nothing will be lost by waiting until next year to give the Finance Committee ample opportunity to study this measure more carefully.

We have the matter before us. The committee report came in only this morning. Senators have not had an opportunity to study it. In addition, it seems likely that the bill is going to become something of a Christmas tree. I think in the interest of having a sound bill it would be much better if the Finance Committee had further opportunity to study this matter. Then, too, Mr. President, Congress is apparently embarking upon the largest tax-raising program in history, and this bill forms a major part of that tremendous tax increase. No one knows what the energy package is going to cost the taxpayers of this country. I would daresay, before it is over, in excess of \$50 billion a year is a ball park estimate.

The distinguished manager of the bill in colloquy with me on yesterday conceded that through 1983 this bill before us would raise the tax burden on the workers of this country and their employers over and above what the present law provides and the increases provided by the present law, in just 5 years through, that is through 1983, the tremendous sum of \$72 billion.

We are hopeful that Congress is going to adjourn soon and give us an opportunity to go back to talk with our constituents, talk with the people whom we represent and give them some opportunity to have some input into our deliber-

ations. They have not had that opportunity up to now. And that is one of the main reasons why we should take a little more time to consider this matter more fully. I do not believe that the people are going to look with a great deal of favor on Congress ramming this bill through with little opportunity for individual Members to master the complexities of the legislation and to come up with sound legislation.

What is the crisis? Is there a crisis? Is there a crisis that demands action now rather than in February of next year, as the motion provides? It was established in colloquy on yesterday that there is in the social security fund at this time some \$40 to \$43 billion, and it is being depleted at the rate of \$6 billion a year. That depletion amount really has nothing to do with it, because waiting until February will not deplete the fund 1 cent more than does action on the bill at this time, because the increases do not take effect until October 1 of next year.

So either way, acting now or acting in February, there is no difference between either form of action in the impact on the social security fund. If we are running the risk of anyone being denied his social security benefits, that would be one thing. That is not correct.

I feel that this measure, imposing this tremendous tax burden on the people, should be considered more to see if there is another angle that might be pursued. I have an amendment. I do not know whether my amendment will be ruled to be in order or not. But I want the Finance Committee to consider this if we postpone the measure until February. The bill would not stay before the Senate under this motion. It would go back to the Finance Committee where they would have ample opportunity to study it, analyze it, and then report it back in an approved fashion I would hope. But the amendment that I have to offer, if it is ruled to be in order I will certainly offer it. As we all know, the individual employees and self-employed, persons who are independent and work for themselves, cannot deduct from Federal income tax the social security payments; whereas, of course, the employer of a taxable entity is able to deduct social security taxes. But I have an amendment that would allow employees and individual self-employed persons to deduct from taxable income 50 percent of the amount they have paid in social security taxes. I think that is only fair, because the social security tax skims the money off the top of a person's earnings. He has no deductions whatsoever. He has to pay a tax on a tax, in fact, because he has to pay a tax on that income that he earns even though he pays it out in social security taxes.

My amendment would allow him to claim as a deduction—not a credit but a deduction—half of the amount he pays in social security. I think that is only fair. But that could not be acted on unless it is ruled to be not offensive to the Budget Act.

I believe we come up with a better bill. Everyone recognizes the necessity of having to do something in time, but it is a matter of timing. I do not believe

there is any necessity whatsoever of ramming this through at this time.

Why is this delay being provided? Well, it is being provided, as I see it—that is, the delay until October 1 of next year—to let this matter just come on the people more or less gradually, and they would not be able to put the finger on just where the increase came from.

But I believe the people are a whole lot smarter than that, and they are going to know it came from action here in the Senate right at this time, if that is what the Senate elects to do.

This will not do any violence, sending it back to the committee with instructions to report it back in February, to the bill. It will not do violence to the Committee on Finance, but it would give us an opportunity to have a better considered piece of legislation, and I hope the Senate will agree to send the measure back to the Committee on Finance for further study and further action.

Mr. President, I ask unanimous consent that a Dear Colleague letter dated November 3, 1977, be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

WASHINGTON, D.C.

November 3, 1977.

DEAR COLLEAGUE: We believe it would be a grave mistake for the Senate to hastily vote on H.R. 5322, the Social Security Financing Bill, in these last hours of this session. There are very significant economic costs and policy implications in this bill. All key effective dates in the reported bill occur in fiscal year 1979 which will not begin until next October 1. Thus, a postponement of consideration for three months, until February 1, 1978, would have no effect on the anticipated implementation of the key provisions of the bill. Postponement of consideration of the bill until February 1 will allow time to study the report on this bill and allow time for careful analysis. As you know the bill was taken up by the Senate the very day it was reported, and a printed report has only now been made available.

A more orderly consideration of this bill will have no impact on the solvency of the Social Security trust funds and will not adversely affect any recipients of Social Security benefits. On the contrary, the rushed consideration of the bill now underway is far more likely to produce unsatisfactory results, both for long-term solvency of the trust fund and the adequacy of benefits for beneficiaries of the Social Security system.

Under these circumstances, we plan to move to recommit the bill to the Finance Committee with instructions to report the bill back on February 1, 1978. Our recommittal motion will not impair consideration of this vital Social Security legislation. Rather, it assures orderly passage of the best possible bill in considered circumstances.

We hope you are able to join us in our recommittal motion.

Sincerely,

HENRY BELLMON,
BARRY GOLDWATER,
THOMAS F. EAGLETON,
JAMES B. ALLEN.

Mr. DOMENICI. Mr. President, will the Senator from Oklahoma yield? Is there any time limit on this motion?

The PRESIDING OFFICER. There is no time, there is no order entered on it.

Mr. DOMENICI. Mr. President, I thank the Senator from Oklahoma.

I am privileged to be a cosponsor of this motion to recommit the pending bill with instructions. I commend the Senator from Oklahoma for bringing this matter to the Senate for deliberation at this time.

I agree wholeheartedly with the Senator from Alabama (Mr. ALLEN) that there is no urgency to acting on this bill now. Having decided that in my own mind, I would like to discuss with the Senate a few of the serious liabilities that I see ensuing from proceeding with this bill so late in the session.

First of all, Mr. President, no one would disagree that this bill has come before us without a full and open debate across this land. It is a major tax measure estimated to raise anywhere from \$50 to \$70 billion between now and 1983. A tax is a tax whether it is a social security tax or an income tax.

We are talking about taking away from the American people, the middle-income, the rich, the poor, the businessmen of all types, a vast amount of money in new and higher taxes.

Why do we have to do this now before we even know whether or not Congress is going to impose higher energy taxes on the American people? If the House version of the energy tax bill is approved by the conference committee and becomes law, we are talking about \$60 or \$70 billion taken from the American people—out of the American economy—in the next 3 to 5 years.

Mr. President, the American people can only take so much. There is one group of Americans about whom we ought to be very concerned when we talk about social security, and that is the older, retired Americans.

Let me tell you, the American people who are working, the sons and daughters of the older Americans, want to help them. But if we want to trigger an anti-attitude among the American people with reference to social security then let us proceed to pass this bill in the waning days of this session. Hardly any options can be considered, because of budgetary constraints and the technical requirements of the Budget Act. Do we want to impose on the American people a steep increase in Social taxes and an additional \$30 to \$50 billion in new energy taxes as a Christmas present this year?

Do we want our people to wake up the middle of next year, the end of next year or early the following year, with an economy that is not working, because every time it begins to recover we impose new taxes so that they do not have anything to spend? Then we wonder why the economy is not growing. Heap all those tax increases on the people and you will have a taxpayers' revolt.

In addition, the genuine concern of the American people for a social security system that is stable and strong, which most of us want, will be in great jeopardy.

For those who want to make sure the social security trust fund remains solvent, I suggest we ought to do what the good Senator from Oklahoma recommends—send this bill back to committee. Let the Senators and the Congressmen go home; let the people digest and think

about this issue, and then come back here in January and act responsibly. We should not act in isolation.

Let me state, Mr. President, there is another issue brewing, tax reform. I believe implicit in the construction of any tax reform is the acknowledgement that we are going to have to cut taxes for the American people. If we want the working people to keep working, the businessmen to keep investing, we are going to have to cut taxes.

Would it not be better if we knew where we were going in our overall tax policy rather than to say to the American people over this Christmas holiday, "We are going to sock it to you with about \$60 billion in new energy taxes and \$70 billion in higher social security taxes, just because we are going out of session, and we wanted to do it right now," we are going to let the same conference, who are working on the energy bill, find a little time between now and Christmas to work on a social security tax bill.

I am just not willing to do that. I want it done in a more calm, deliberate manner. I do not believe that is what we are doing here today. We have been considering a \$70 billion increase in social security taxes yesterday and today without a printed copy of the bill on its report.

I have no personal concern about the Committee on Finance. They generally do their job well. The facts of the matter are that no group of human beings, on my committee, could handle all the legislation they have handled in the last month—and do it right.

There is just no conceivable way that the members of the Finance Committee are going to handle the huge energy tax bill and this social security tax bill in an orderly manner between now and Christmas.

So I ask why rush this bill through at this time? I honestly believe the American people are concerned about the impact this bill will have on small businessman. Under the committee bill, the employer will bear two to three times the tax burden that his employees bear. Who do we think these people are who are going to bear this burden? They are the same people we are asking to crank up this economy. They are the same people we are asking to employ more people. They are the same people we are asking to invest more money so that our economy will grow.

Then we come along with this bill, right after the minimum wage increase, to be followed by an energy tax bill, and then maybe sometime next year or the year after we will look at tax reform and perhaps we will take away any incentive they have for future growth.

Mr. President, everyone knows the impact of this bill. I have stated it in overall figures, but it seems to me that individual Americans have to know the impact it will have on them. Some individuals out there who are now paying \$900 in social security taxes—will be paying \$2,000 or \$3,000 by 1987.

I, for one, want to see the fund solvent; but I am not convinced we have explored, in a prudent and reasonable manner, all the options and alternatives. We are kind of stuck late in this session with hardly

any flexibility. It is a kind of take-it-or-leave-it situation.

I will close with just one final comment.

In this Senator's opinion, it is good that the Senate stay on schedule. It is good that our leaders want us to get things done on time. But it absolutely is futile to insist that we can get this done by this Friday night, so that we will have completed something this year, so that we will have social security behind us, so that Senators can go home and say, "We have had a busy year."

That is absolute and utter nonsense, in my opinion. We do not have to do that. We have had a busy year, and we will be in conference on the energy bills for another month. I do not believe the American people will buy the argument that staying on some kind of schedule that says we have to finish this social security bill will make this a better year for our people or for Congress.

This is absolutely the wrong time and the wrong circumstances, for the American people or for individual Senators to thoughtfully review this issue. If I thought the trust fund were going to be bankrupt by February or March of next year, I would be saying, "Let us stay on another 2 weeks, and let us do it right." But that is not the case. So I commend the Senator from Oklahoma, the Senator from Alabama, the Senator from Arizona, and other Senators who have joined in this motion in urging that the Senate vote "yea" so that we can dispose of this matter properly.

The PRESIDING OFFICER. The Senator from North Carolina.

Mr. MORGAN. Mr. President, I urge my colleagues to vote "yea" on the issue, and I do so because in my own mind I believe that the social security law that was passed in the 1930's, amended in the 1950's to be extended to the rural people of America, which has helped a good many people in my State, and which has been extended at other times, is perhaps the most important single act that was ever passed by the Congress of the United States. I think it is important that it remains sound and safe, and that whatever changes we make to it be made after careful consideration and thought, to the end that the people of America may know what we are doing.

I think our distinguished colleague from New Mexico made a very good point, that the people of America are entitled to know what the debate is that is taking place on the floor of the Senate.

Yesterday morning for the first time in North Carolina the headlines of the newspapers began to carry something about the Senate provisions of the social security amendments, and the papers had hardly hit the newsstand before I began to get telephone calls. Today's newspapers carried more, and my phone has been ringing all day, with questions such as, "Senator, what are you doing in the Senate? What effect will this have? Is this going to make the program safe?" and many other questions—questions that I cannot answer, Mr. President. I cannot answer them because I do not have the answers.

Yesterday at 1:30 p.m. this 95-page bill was placed on my desk. As I said earlier, my staff assistants had been told earlier that we really did not need the bill to know whether or not we should support it, but I challenged that, because during the same colloquy yesterday, I asked the distinguished Senator from Wisconsin (Mr. NELSON), in whom I have the greatest confidence, who is one of the most enlightened and informed members of the committee, what this \$400 million appropriation for fiscal relief portended. I posed that question here on the floor of the Senate, and I did not get any answer, except that this was something that Mr. MOYNIHAN and Mr. LONG had probably agreed upon.

Well, I got my answer last night about 7 o'clock, when I finally got a copy of the Senate Finance Committee report.

I know where the \$400 million is going, but I do not understand why, in the name of commonsense, it is in a bill that is designed to increase the social security tax to make it sound and solvent.

Mr. DOMENICI. Mr. President, will the Senator yield for a comment?

Mr. MORGAN. Be delighted to.

Mr. DOMENICI. The Senator was talking about whether or not we all know what we were doing, or whether we even had been told what we were doing.

In a few moments, the Budget Committee will meet. I would remind my good friend that we have three or four waivers that we have to consider for this bill, to see whether or not we are going to grant waivers under the Budget Act so that certain amendments can be considered. This bill was tailored very carefully so that it would fit the Budget Act, but hardly any of the major amendments fit the Budget Act, and a Senator can hardly get his amendment considered without calling the Budget Committee to see whether it fits or not.

I assure the Senate that confusion is rampant. Nobody is going to be able to understand it, and we are not going to get a vote today.

Mr. MORGAN. I thank my distinguished colleague for raising that question. I had intended to and wanted to, because I think it is important that the Budget Committee play a role in this legislation.

The Budget Act has been talked about all across America as the one instrument of hope toward bringing some form of fiscal responsibility to the U.S. Congress. As I campaigned across my State in 1974, and as I campaigned for my colleagues in 1976, the question of deficit spending was a paramount issue on the minds of the people of my State, and I kept saying, "At long last we have the mechanism, now, whereby in a few years we are going to bring spending under control for the first time." I said, "We have a Budget Act that is going to require us to at least know what we are spending and what the income is going to be."

Yet time and time again, since the Budget Act came into effect, I have seen waivers granted. I have seen it by-

passed, and even yesterday, at the luncheon table, I heard it stated, "We cannot get anybody to serve on the Budget Committee; so and so wants to get off the committee, and we cannot get anybody to serve."

Why? Because in the short span of 2 years, it has become meaningless, because we continue to bypass it.

Mr. President, I would not want to serve on a committee that is not going to have any real effect on legislation.

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. MORGAN. Be happy to.

Mr. LONG. Let me say to my able friend from North Carolina, and I hope this will allay his concern somewhat: What the Finance Committee recommended was modified in order to conform to what the Budget Committee recommended.

We wanted to raise more money and raise it sooner, because the social security trust funds are in a deficit position. But the Budget Committee advised us that they felt, with their study of economics, that if we raised taxes as quickly as we thought they ought to be raised, it would have an adverse effect on the economy. So part of the reason we are not raising more money earlier is that we followed the advice of the Budget Committee. If I had my way, we would be putting the tax rate up on January 1 of next year, just a few months from now. But the Budget Committee felt that might have an adverse effect on the economy, that we ought to wait a while, so we moved the date back until January 1, 1979.

The Budget Act is complicated, and it is sometimes difficult for me to know exactly how to comply with it. But when we are told just exactly what the Budget Act does require, we comply. The able Senator from Maine is absent for health reasons; I wish he were here because he is a very great statesman and a very able leader. In his absence the committee is being ably led by the Senator from South Carolina. When the Budget Committee laid down their terms and conditions, and they laid down what we could do, we did it as they recommended; and it seems to me, with all the advice and the experts that they have, the Senator would want to know that we have gone before the Budget Committee and have complied.

As far as the budget resolution on the bill is concerned, they rejected the version we sent them. We asked them, "What do you want us to do with our resolution? Just tell us how you want us to change our resolution, and we will do it."

Several Senators addressed the Chair.

Mr. MORGAN. I yield to the Senator from South Carolina.

Mr. HOLLINGS. Mr. President, I would only make one statement, because we are going to have a meeting on these particular waivers and requests.

It is not the Budget Committee saying what you can and what you cannot do; it is the U.S. Senate. It is the U.S. Senate and the membership itself.

I understand this is a complicated matter, the budget process, but so is the

Finance Committee. I can show the Senator from Louisiana portions of the social security bill that I have had three staff men working on trying to interpret. If it is strange, that is one thing, but it is not that Budget Committee members have some strange idea of an exact pound of flesh or discipline or telling anybody what to do. It is the Senate itself trying to work into a budget process where everything is understandable and everybody knows the limitations.

Mr. LONG. The only point I am trying to make, and I hope the distinguished Senator from South Carolina will agree with this, though we have had some differences in years gone by, maybe even in months gone by, with the Budget Committee, as far as the Finance Committee is concerned, with this big bill, we are trying to help balance the budget. We are trying to raise tens of billions of dollars to make the social security system sound. It is not sound right now. That is why a lot of people in this country have reason to be concerned.

Mr. HOLLINGS. If the Senator will yield, it is not the burden or the duty or even the goal of our committee to balance the budget, but notably, this year, it is to unbalance it. We are going to be running at a \$60 billion deficit, intentionally. We intentionally hope that that budget is unbalanced, because we think, in the ordering of revenues and the spending programs and the priorities of this Government, that somehow, that is the best program, fiscally, that we can present to Congress.

So, while I am a good, big, balanced-budget man just like the Senator from Louisiana, that is not the sole goal. It is trying to correlate and take the needs and demands of all the different agencies of Government itself and segments of our population and come down to where we will not hurt the economy.

That is why we are here now; we said, we need more revenues in social security; but let them not impact upon this fiscal year, because it would then cut back on the recovery of the economy itself.

Mr. LONG. All I am trying to say is that as far as we on the Finance Committee are concerned, we are in here with a big tax bill. We are asking people to vote for it. We are doing that because we think the Senate would like us to raise some money, because there is a big deficit in the social security funds and they are going to continue unless we do something about it.

Mr. BIDEN. Will the Senator yield on that?

The PRESIDING OFFICER. The Senator from North Carolina has the floor.

Mr. MORGAN. I yield without losing my right to the floor.

Mr. BIDEN. Is the Senator from Louisiana not begging the question? Surely he came to our Budget Committee and relied on our expertise. I am delighted to hear he put so much stock in our expertise. That is reassuring.

But the real question here is that we are meeting now in the Budget Committee, not based on what you sent. We are meeting now based upon all the other items that Senators who have disagree-

ment with what you sent to the Budget Committee and to the floor want to introduce. So, as a practical matter, by "letting you know"—you, the Finance Committee—that we on the Budget Committee say, yes, this falls within the budget constraints, we have opted out every other option. What we have done in responding to our duty—and as the Senator from Louisiana has skillfully pointed out—he has enabled the Senate to act on nothing else but what he has sent to us by use of the Budget Committee mechanism, because now, anyone else who wants to move in with a different, alternative, or increased tax base will have now to go through the mechanism.

The reason why I am going to vote to recommit and join the Senator from Oklahoma is not because I agree with the Senator from New Mexico, who raises all these other items. It is very simply because I do not know what in the heck this bill does. I do not know whether I am helping those dear old folks or hurting those new young beautiful people.

I am not worried about the old folks on this, quite frankly. They are going to get their check. What I am worried about is me. I am worried about my kids. I am worried about what in the devil they are going to pay. What am I committing them to pay? What am I committing them to do?

The old folks are in good shape, solvent or insolvent. The 65-year-old people sitting in the gallery do not have anything to worry about, I can guarantee them. But all of them up there who are 18, they had better watch their pockets. They had better cover them up real tight. Because I do not know what this does. Neither do most of the other people on this floor.

So I am going to vote to recommit, because I am worried about the young folks. I am going to vote to recommit because I am worried about this already having been a busy year—busy enough. We do not have to go back to the folks to tell them how busy we have been. They can look. They may not think we have been productive, but they know we have been busy.

Last, the impact of this bill: I do not know that anybody knows. In February, I may come back to ask the chairman of the Finance Committee and ask the Senator from Wisconsin, "Let me join you, you were right all along. Mea culpa, mea culpa, mea maxima culpa. How could I have not known it?"

I have not had a chance to read it. I do not know. So I am hoping to recommit, despite the brilliance of the Senator from New York and the Senator from Louisiana and the Senator from Wisconsin, who may be absolutely right. But when we got this yesterday, I began to worry.

I say one last time to you, Senator, when we have a debate—and I hate debating you, because I seldom win. Whenever I get through speaking to you, I have a real warm feeling inside, but it is not until I get home that I find out what happened. [Laughter.]

I really feel like I did it. I feel like I

have been a success. I tell them I went down.

My newspaper said, "Boy, he got up there and spoke." But my Lord, I never know what hit me. Sometimes I know it is good. Sometimes I find out it is bad. I want to wait and find out, and February is plenty of time.

It does not go into effect until next year anyway, and there it not an old person in America who is going to be in jeopardy of not receiving their check within the next 3 months. It is just not the case. So let us find out what we are going to do to the young folks, too, before we pass this bill. I am going to vote to recommit it.

I thank the Senator from North Carolina for yielding this time to me.

Mr. LONG. Will the Senator yield to me?

Mr. MORGAN. Without losing my right to the floor.

Mr. LONG. As far as the Senator from Louisiana is concerned, and as far as others on the Finance Committee are concerned, we voted the bill we thought appropriate. There were some other amendments we knew would be offered, like the Curtis amendment. That mustered a very strong vote in committee. We knew these amendments would be offered and, in fairness, we asked the Budget Committee to grant a waiver so those Senators could offer their amendments. We asked for a waiver on the Curtis amendment; we asked for a waiver on the Dole amendment. I am not supporting that amendment, but it lost on a tie vote in the committee. We thought since we voted on it in the committee, the Senate might want to vote on it too. That amendment would lift completely all earnings limitations so a person might be practicing law and making \$150,000 a year, and still get his full social security benefit at age 65.

We said to the Budget Committee, let the Senate vote on those and other amendments, too. The Budget Committee said, "We cannot even give you a waiver on some of the things the Finance Committee agreed to. Knock those out. We don't think we can give these other Senators a waiver, either." As far as I am concerned, once the Budget Committee let us bring our bill out, I cannot complain that you turned everybody else down. But at the same time, I would say to you let your conscience be your guide, do whatever you want with the matter. But do not complain about us not doing what the Budget Committee asked. We bent our knees to the Budget Committee.

Mr. BIDEN. I am not complaining about that. I am just saying how it worked.

Mr. LONG. We prostituted ourselves—wait; excuse me. We prostrated ourselves. [Laughter.]

Mr. BIDEN. The Senator is an honest man.

Mr. LONG. We prostrated ourselves before the Budget Committee and took that to the committee. I do not know why we are fighting over that.

Mr. MORGAN. Mr. President, I believe I have the floor.

The PRESIDING OFFICER. The Senator from North Carolina has the floor.

Mr. MORGAN. I shall conclude momentarily, because my distinguished colleagues have made my arguments very ably and much more eloquently than I could.

I say to my distinguished colleague from Louisiana that he may understand all about the budget process and this present bill, but how about giving the rest of us on this floor an opportunity to study it and understand it ourselves? When I cast my vote on this bill, and when the clerk tallies that vote, it is going to look just like that of the distinguished Senator from Louisiana. I want an opportunity to know what it is that I am voting on. I do not question the fact that those of you on the Finance Committee may know, but all I am saying is, please give us an opportunity to know.

I thought the rules of the Senate were made for the purpose of enabling us to do just that. That is what I understand the 3-day rule on a committee report to be. I do not quite understand how we got on it before the report got here, except maybe we laid the House bill down and then we substituted it. We circumvented the rules. I guess sometimes I think that is what rules are for, to be circumvented.

All I am saying is please give us an opportunity to study it. There are some assumptions in this bill which I am not sure that I agree with.

My staff has been trying to work on them and to give me some advice.

For instance, as I understand it, some underlying assumptions in the entire bill have to do with economic predictions, predictions of inflation, of the birth rate. For instance, it talks about economics. The figures are assuming an unemployment rate at 5 percent per annum and an inflation rate of 4 percent and a wage increase of 5.75.

Well, we have not reached these figures yet. We do not know if we are going to or not. Until we have some opportunity to study it, I do not know whether they are realistic predictions, or not.

It talks about the birth rate of the country, using as an assumption a birth rate of 2.1 children per woman, but currently the birth rate in this country is 1.7, and has been declining for 120 years.

I can only assume that the Finance Committee took into consideration a birth rate that would normally be required to maintain a constant population, but it is well known that the birth rate has not normally increased with influence.

It talks about the mortality rate. It uses an average life expectancy to be 70.8 years for men and 79.6 years for women. Yet in some countries in Europe, we know that it is greater than that.

I come back to the \$400 million fiscal relief program which, the best I can figure out from reading the report, is that it is sort of a handout to my State and to other States in an effort to ease some of the burden of carrying out the welfare programs.

I can understand the distinguished Senator from New York's concern about it, but the President has sent to the Congress a welfare reform bill that takes into

consideration this very measure. Why should this matter not be considered in the question of welfare reform rather than the question of social security financing?

Mr. MOYNIHAN. Will the Senator yield?

Mr. MORGAN. In a minute.

But I know it is going to give some money to my State. I have had welfare superintendents, or social workers, or whatever their official titles are, come up here and urge me to vote for it.

I find today it originally started out to be \$1 billion. I know when word gets back home tomorrow that I am here arguing against a \$7.5 million appropriation for North Carolina, some of my people will say, "Why are you doing that?"

But, Mr. President, there comes a time, if we are going to be fiscally responsible, that we simply have to take the responsibility.

I just happened, while I was waiting for this matter to come up, to clip a letter to the editor in the Charlotte Observer in which it says, "Let's Say No to Federal Expenditures."

I will read just a bit of it. It says:

I would like to challenge local and state government to refuse to accept a penny from the so-called federal largesse and replace it with realistic taxes and fees to meet their needs.

If all local and state government would agree to target 1978 as the year of divorce from dependence on federal handouts, a net savings of some 26 percent of the bill, or over \$35 billion, would be realized.

It goes on to make some good arguments, and I agree with it. Maybe this is not one of those to turn down, but it is the wrong time and the wrong place and the wrong bill.

If I am wrong in these assumptions, then let us have 2 or 3 months to consider it and to study it. If I come back after doing that, and I am wrong, I will be willing to say so.

Mr. President, I urge that we adopt the motion of the distinguished Senator from Oklahoma so that whenever we do pass a bill we will not have to come back, as we are doing in this very bill, and make technical amendments for errors that were made 5 years ago, because I assure Senators that if we pass this bill this week we will be coming back correcting mistakes and errors we overlooked that we should not have.

Several Senators addressed the Chair. The PRESIDING OFFICER. The Senator from Florida.

Mr. STONE. Mr. President, I will speak very briefly.

I had considered voting to put this bill back in committee. I had considered the concept of delay until next year. But it seems to me that this is an unpleasant, difficult task that we have to do now or we have to do it next year. We have to do it.

If the reading of the report which was available only recently slows us down so that we might have to work on into the next several weeks during some of these sessions that we have to come back to vote on, if we need more time as a full Senate to look at each provision, it

seems to me that, unpleasant as it is, we better do the job.

Why will a delay hurt? I can think of one provision, at least, in which a delay will hurt.

There are old people who clip coupons and do not suffer any reduction of their social security check at all, while there are old people who have to work and if they earn at the rate of \$3,000 a year, they lose their money.

They lose money and a delay of several months could lead to a delay of 6 months or a year more.

There are those people who could use some relief, whether we go for a complete removal of the cap or a lifting of this ceiling.

Those people deserve some relief now.

This is an unpleasant job that we ought to stay with until we do it properly and send this bill to conference.

That is why I am not going to vote to delay.

Mr. BELLMON. Will the Senator yield?

Mr. STONE. Yes.

Mr. BELLMON. If the Senator will look at the provisions of this act, he will find it does not offer any immediate relief to any recipient. It does not go into effect until the late fiscal year.

If we come back in February, we can deal with the question and get the relief to the people.

Mr. STONE. I think people would like the reassurance to know, and furthermore, there are some amendments that will be offered. I know the senior Senator from Arizona has one in which the Senator from Florida will join in which that relief ought to be vouchsafed and guaranteed to these folks.

I just feel we ought to stay with it. I do.

Mr. GOLDWATER. Will the Senator yield?

Mr. STONE. Yes.

Mr. GOLDWATER. The Senator mentioned a point I have noticed for many years, the fact there are some older people who clip coupons and collect social security, but they can collect the entire social security.

Mr. STONE. That is correct.

Mr. GOLDWATER. Now, the fellow that retires without any pension, without any securities, without any real estate, who cannot live, frankly, on social security, has to suffer \$2 for every dollar he makes over \$3,000.

Mr. STONE. That is right.

Mr. GOLDWATER. I think this is morally wrong, and I am not going to stand still and hear Mr. John Califano tell falsehoods about efforts to make it possible for American people to live.

I think it is time we do remove that earnings limitation and I am hoping the Budget Committee this afternoon will find in their good judgment to give us a waiver so that we can at least overcome that hurdle.

But I differ with my friend in that I want to vote for it, sending this back to committee. I think we have to have more time.

In fact, if we had more time, I think people downtown will begin to realize how wrong, wrong, wrong they are when they are dealing not with Federal funds,

these moneys do not belong to the Treasury. These are funds that all of us have put in a trust, supposedly.

I asked the committee yesterday where the money is. They do not know. I have been here 25 years and I have not found out.

So I do not see where taking a few more months, added on to 25 years, is going to hurt anything.

I think we would come up with a piece of legislation that we could work on.

In fact, I have been amazed ever since this bill finally hit the floor to find out that it is going to amend the Tariff Act for istle—whether one speaks Spanish or English, for the edification of my colleagues, it is from the cactus and we use it in the Southwest to make baskets. I think the social security people may become a basket case. [Laughter.]

So this would be a proper place to amend it.

I thank the Senator for yielding.

Mr. STONE. I thank the Senator. We may differ on the immediate decision as to whether or not to delay, but we certainly do not differ on the inequities of the current situation and the need for reform with respect to people who need to work and are denied that by a rule which is totally arbitrary and which deserves to be changed.

I thank the Senator from Arizona.

Mr. CURTIS. Mr. President, as I understand this proposal, it is to postpone this matter until certain people understand it. That is equivalent to an indefinite postponement. [Laughter.]

Are we going to take the position that we are going to send back to the committee every intricate piece of legislation that comes from the Armed Services Committee, until we all understand about bombs and weapons and so on? Or are we going to follow the committee system, whereby matters are referred to a committee; they hold public hearings—they are public, all right; and arrive at a conclusion and bring in legislation? Are we going to recommit every proposal related to the space program, until we all get our Ph.D.'s in physics?

Let us now think about the financial condition of the social security system. In the long range, it is about 8-percent short. There is a provision in here that takes up half of that. The paragraph that describes it is less than a half page. We do not need until February to study that.

It comes about in this way: An amendment was adopted in 1972 that provides that there shall be an increase in benefits for older people automatically, because oftentimes the inflation took place and Congress was delayed in passing a bill to raise their benefits. So it is automatic in there.

It turns out that what it does is to include it twice. This automatic cost-of-living raise is given to a future retiree once, when it is woven into his benefit formula, and then after he goes on the rolls, he gets it again. The professionals refer to that as decoupling. That is corrected in this bill, which sought to be re-committed. It takes care of one-half of the deficit.

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. CURTIS. I yield.

Mr. LONG. To put it in terms that the layman would understand, there is a provision in the law for an automatic cost-of-living increase that works out for the benefit of some people so that in effect they get a double dip. They get an adjustment twice for the cost of living.

Mr. CURTIS. That is right.

Mr. LONG. This was an unintended windfall for certain people. We do not propose to take it away from those who are getting it. We say that those who retire in the future will not get the double dip.

Mr. CURTIS. That is correct. That is in the bill now. It takes care of half of the deficit.

There are some welfare provisions in the bill before the Senate. One has to do with how you handle the disregard for earnings for a welfare recipient. The way the formula works now, it is very loosely drawn. It means that when individuals with rather high incomes go on the welfare rolls, it not only costs the Government a great deal of money but also embarrasses every Member of Congress who reads the paper and hears that people who are not in need are on welfare. That is taken care of in this bill.

How much will it save? \$230 million annually.

Mr. President, there is a provision here that initiates some quality control and incentives to reduce errors in the administration of welfare. I could go on and name a great many other provisions in this bill.

Mr. BELLMON. Mr. President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. BELLMON. I believe the Senator is making the point that the Senator from Oklahoma is trying to make. This may be a wonderful bill, perhaps the best bill that ever came before the Senate, but why do the job quickly? We only got it yesterday and got the report this morning. Why is the committee not willing to give the Senate time to consider what would be done and perhaps improve on the committee's handiwork? So far as the recipients are concerned, there is no reason not to wait until February. Their benefits are not going to be affected until late next year.

Mr. CURTIS. The answer is that I have nothing to do with scheduling legislation here.

Furthermore, we have worked on this matter for months. It creates more complications if the committee is required to do its work twice.

Mr. LONG. Mr. President, will the Senator yield?

Mr. CURTIS. I yield.

Mr. LONG. I ask the Senator if this also is true. In 1972, some people thought—and there was some merit to the suggestion—that we could afford more benefits than we were paying. They contended that our assumptions about prices and wages were static and that if we adopted certain dynamic assumptions, such as the fact that wages will go up and productivity will increase, we really could

afford to pay 20 percent more in benefits than we were paying and the automatic cost of living increase provision would go along with it.

With the Commissioner of social security saying that this could be done and that you could afford a 20-percent increase and could afford the automatic increase feature, an amendment was offered. The Advisory Committee for Social Security recommended it, and everybody was told, with the support of the Commissioner of Social Security, that this could be afforded.

I voted for it. Subsequently, we found that the result was that we were headed for a big deficit and that eventually the fund would be insolvent.

Is it not about time that, whenever we can muster enough votes, we should vote enough revenue into that fund so that from that point forward, we would not be projecting bankruptcy or insolvency in the social security fund? Then all the people who are counting on it could have peace of mind about the matter, rather than have those people told, day in and day out, month in and month out, that the program is not solvent and eventually the fund will go broke.

Mr. CURTIS. I believe that is true. I think there is an uneasiness over the country about the \$6 billion deficit yearly in our social security fund right now. That should be met and settled right now.

The long-range program is half taken care of in here, without either the tax increase on employers which Senator NELSON proposed, or the general tax relief that I proposed. It is already taken care of. With respect to welfare, the \$230 million saving becomes effective immediately.

I have great respect for the Budget Committee. I am very fond of every member. But I stood on this floor, trying to get some amendments adopted to the food stamp program. They would have saved \$2 billion. I never got a vote on the majority side of the Budget Committee.

I was here last week when a floor amendment was offered that cost \$1 billion. But when the Budget Committee challenged the Finance Committee, they particularly exempted all of those that had been voted on on the floor.

Another thing, Mr. President: The tax proposal that I offered—

Mr. LONG. Mr. President, if the Senator will yield at that point, let me make clear that we do not have any problem with the Budget Committee on this bill.

The way I understand it, there are some Senators who wish to offer some additional amendments which the Budget Committee can either waive or not waive. I am not here to tell them what to do about that. I trust their good judgment and commonsense to do what they think is right about it.

But we on the committee are not asking for any special exception. They have given us all the latitude we need to propose this bill and they gave Senator CURTIS a right to propose his amendment which was a very good amendment. I thought it was better to do the finan-

cing the way Mr. NELSON recommended. But they gave us the authority to recommend what the committee wanted to recommend to the Senate, so that we do not really have any conflict with the Budget Committee on this bill. With regard to Senators who wish to offer additional amendments, they can do it however they want to do it. If the Budget Committee wants to give them a waiver, we do not complain; on the other hand, if the Budget Committee in its conscience feels it should not give a waiver, then, of course, the Budget Committee is within its rights.

Several Senators addressed the Chair.

Mr. MATSUNAGA. Mr. President, will the Senator yield?

Mr. CURTIS. I am going to yield the floor in just a minute, and then the Senator may have it.

Mr. President, if I thought that there would be a material increase in the courage of us all to meet this problem of social security financing by waiting a few months, it would be worth waiting. There will be the same Senators with the same ideas here in February as here now. Some of them feel no harm in taking from the social security pension. Some of them think that it is not important that we adhere to the pattern that we have had for four decades of employers paying half and employees paying half. That is not going to change. We cannot run away from this problem by sweeping it under the rug for 4 months.

Mr. President, again I remind Senators that in the long range the 8-percent deficiency in the financing is taken care of in this bill before us and in the welfare program there is a provision in here that if it is not changed on the floor will save \$230 million as well as there are many items in this legislation that means a great deal to the people who fall in that particular category.

Mr. President, I yield the floor.

Several Senators addressed the Chair. The PRESIDING OFFICER. The Senator from Hawaii.

Mr. MATSUNAGA. Mr. President, as a member of the Finance Committee, I rise in opposition to the amendment offered by the Senator from Oklahoma.

It has been said here that no one really understands the bill. As a member of the Finance Committee I, too, admit that I do not know all about the bill. Perhaps if there is anyone who knows all about the bill that is the chairman, the Senator from Louisiana. There is an old saying, "He who knows and knows he knows is wise; follow him." I am willing to follow the Senator from Louisiana. I worked with him for months on this bill. There were some differences. What we arrived at was the only bill as to which we could get a majority vote in the committee.

Little as I know, I know this for sure, that the social security program is on the verge of bankruptcy, that we must now do something about it in order to retain the confidence of the American people in that great system which has brought more security, more well-being to the elderly than any program in the history of this Nation. We cannot let it die. This year the deficit will be between \$5 billion

and \$6 billion. The disability funds will be exhausted by 1979. And the old age and survivors insurance funds will be exhausted by 1983.

The Secretary of Health, Education, and Welfare testified that between 1978 and 1982, an additional—I repeat—an additional \$83 billion over and above the projected income under current law will be needed to keep the program solvent.

Clearly, the social security program is on the verge of bankruptcy. It is absolutely imperative that the program be kept solvent. More than 33 million Americans, 1 out of every 7, receive social security benefits. Ninety-three percent of Americans 65 years of age and over are eligible for benefits. These benefits now exceed \$100 billion a year. Millions of Americans depend on social security benefits as their only source of income. It cannot be denied that the present deficits in our social security system jeopardize the confidence of the American people in our system. In order to keep our social security program alive, we cannot lose the confidence of the American people. Many even today have the option of dropping out of the system, causing more and more to be drawing benefits but less and less putting into the system, which means what? Which means greater and greater deficits and ultimate bankruptcy.

We must act this year. We must act within the next few days and if it takes Saturday to get this bill out we must get it out.

Mr. ALLEN. Mr. President, will the Senator yield?

Mr. MATSUNAGA. In a minute.

This is the primary objective.

Second, the administration is now working on a program of tax reform. Unless we pass this bill out the administration will not have a basis on which to develop a new tax reform act. And if we pass this bill out the administration will have a much easier task in developing that new tax reform bill.

So I urge my colleagues to let us act today; if not today tomorrow; if not tomorrow, Saturday, to get this bill out.

Mr. ALLEN. Mr. President, will the Senator yield?

Mr. MATSUNAGA. I would be happy to yield to the Senator from Alabama.

Mr. ALLEN. Will the Senator explain how action this month as distinguished from action in February will contribute more to the solvency of the fund inasmuch as the bill does not provide for any additional revenue to come into the Treasury before or starting October 1 of next year? How will action now be an improvement over action in February since the bill does not start until October 1 of next year?

Mr. MATSUNAGA. Well, the Senator from Alabama reminds me of a young man who applied for a job. When he was told he would start, he was told he would need to start at the bottom, and he said, "Well, I am not concerned about that. What about next year? What about the year following? Can I look forward to a promotion and maybe some day become vice president of the firm?"

Well, what we are dealing with today

is something more important than the tangible the Senator refers to. It is the intangible of the confidence in the system which we need to develop even this day because, as the Senator well knows, when you go back to your home State one of the questions asked most of us is "Is it true that our social security program is bankrupt? Is it true that I may not be able to depend upon my social security when my time comes?"

Well, if we pass this bill this week, we will regain that confidence so that we can say when we go back to our constituents, "We passed that bill. Now you can rest with confidence."

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. ALLEN. Will the Senator explain how action now is going to bring that about?

Mr. MATSUNAGA. I will yield to the wisest of the wise to answer that question.

Mr. LONG. I would just like to get in on this, if I may, because I think my contribution might help a little.

The fact is that in 1972 we received some bad advice. It was well-intentioned advice, but it proved to be unsound. The advice was that we could afford a 20-percent increase in benefits and an automatic cost-of-living provision.

Now, you cannot do any better than act on the best advice you have, but the advice was that we could afford to be more generous than was in fact the case.

For the past 3 years, this program has been projecting insolvency because there is not enough revenue to fund all the benefits.

Why did not President Ford get the thing under control while he was President? Well, the fact was that he had all the problems on his hands he could handle, and more than he could, it turned out. He was trying to get himself reelected, and he was in no position at that particular moment to come in here and recommend the sort of tax it would take to make the social security program solvent for the next 75 years, as we are seeking to do.

If anybody here could tell us that there would be some increase in political courage on the part of Senators and Members of the House during the next 3 months, or the next 4 months, then I would say by all means let us wait for the political courage to rise to meet the challenge.

But knowing what the realities of life are, I know that the nearer every Member of that House gets to election, and the nearer every Senator who is running next year gets to the election, the more difficult he is going to find it to vote for the taxes to make this program solvent and to fund these benefits; no matter how politically and fiscally responsible that may be.

So the result is that as far as making the social security program fiscally solvent and responsible is concerned, we ought to do it whenever we can. If we can do it now, let us do it. If we can do it 3 months from now, do it then.

But anytime you can muster enough votes, and those men can find enough courage to vote the taxes it takes so that

the people who pay into this program will get the benefits they were promised, you ought to do it, and you ought to try to resist these efforts to say, "Oh, no, not now. I cannot vote for it right now. I am going to vote for it next year. No, no, not now. I would rather wait and think about it some other time; no, no, I would like to study it." You must resist those pressures if you can because the easy way out for the average politician, or even the average statesman, confronted with the duty of voting a big tax to do something that responsibility requires, the biggest problem is procrastination on the part of people who must seek public election. They will want to pass it off and postpone it, put it off until next year, put it off until 6 months later, and never get around to measuring up to that tough decision.

In my part of the country they have an expression that is also common in the part of the country so ably represented by my very lovable friend from Alabama, Mr. ALLEN. They talk about "come up to that lick log."

I once asked Lister Hill, "What does it mean to come up to that lick log?"

He said that when some farmers would get together to try to clear some land, cut down some huge tree before they had a bulldozer or something like that to try to haul that tree off and clear the land, they would have to cut that tree up into sections so that they could manage it and haul it away.

So those men would stand there all day chopping on that tree, cutting it up into sections. The tree might be 80 feet high. They would chop all day long, chop that tree up into manageable sizes so that they could haul the tree away with their mules. That is what they called the lick log. If some fellow wanted to stop, and he would rest against a tree while the others would be chopping, they would say, "Come up to this lick log, you lazy so and so. You have to put your licks in with the rest of us."

So basically we are calling upon Senators and upon Members of the House of Representatives to come up to that lick log. You are going to have to vote for a tax if this program is going to pay benefits for these old people, the disabled people, and the widows and orphans who were promised those benefits, and you had better do it any time you can.

If you can get the votes now, do it. If you think it would be any easier on you to wait another 5 months until you are just that much closer to the election, and all those people in the House are 5 months closer to the election, then I would say the Senator is just not the political realist some of us are. The sooner you can vote on it, the better off we all are.

Mr. MATSUNAGA. The Senator from Louisiana in a most interesting and persuasive way has just said what can be summed up in these words: What you can do today do not leave until tomorrow. I think we can do it today.

I would be happy to yield to the Senator from New York.

Mr. MOYNIHAN. I thank my distin-

guished colleague on the committee, the Senator from Hawaii.

Mr. President, I would simply like to add to the observations of our distinguished chairman. He asked a question as accurately as it could be put. I might rephrase it as follows: The question is being asked of us on the floor today, Why do we not put this job off until next year; Why do we not do it next year?

The real question, Mr. President, is, Why did we not do it last year? The social security trust fund has been insolvent for at least 4 years. We have known it. We have put it off and put it off. Last year surely it was clear. Why was it not done? It was because it was an election year. Why will it not be done next year? Because it is also an election year.

The measure of responsibility of this body as trustees for the income of 30 million aged, frequently indigent, sometimes minority Americans, the measure of our statute of men, as responsible persons capable of prudent foresight, is to act now.

We failed last year. Next year we might very well fail again. Those who wish to associate themselves with the avoidance of this responsibility today risk being considered persons not capable of responsibility.

I think the chairman and his distinguished associate from Nebraska, Senator CURTIS, are altogether right and responsible, and if there are those of us in this body who do not have the courage to lead, if there are those here who do not have the courage to lead, let us at least have the wisdom to follow.

Mr. ROBERT C. BYRD. Mr. President, I shall shortly move to table the motion to commit, but before I do so I would not want to prevent from speaking on the motion the distinguished Senator from Kansas (Mr. DOLE) who, I believe, is one of the cosponsors of the motion and, perhaps is supporting—

Mr. DOLE. I am not a cosponsor.

Mr. ROBERT C. BYRD. Does the Senator wish to speak? Mr. President, I yield to the Senator from Kansas without losing my right to the floor, with the expectation of making the motion to table the motion to commit.

The VICE PRESIDENT. Is there objection? The Chair hears none, and it is so ordered.

Mr. HATHAWAY. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. President, I ask unanimous consent that Charles Jacobs of Senator MUSKIE's staff may have the privilege of the floor during the debate and votes on the pending bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, could I have some understanding from the Senator from Kansas as to how long he will speak?

Mr. DOLE. I may decide to read the 180-page committee report, but the Senator from Kansas has not at this time decided.

Mr. ROBERT C. BYRD. Very well, I yield the Senator not to exceed 20 min-

utes, with the understanding that I retain the floor.

Mr. DOLE. Mr. President, the point that bothers the Senator from Kansas, the Senator from Texas, the Senator from Arizona, and other Senators who have not heard the news, is that a number of us have lost our waiver requests in the Budget Committee. It is fine for the chairman to stand up and say he got what he wanted, and for other Senators to stand up and say they got what they wanted. However, I have always been under the impression that in the U.S. Senate a Senator had a right to offer amendments unless they were not germane for other such reasons. Now we are told we cannot offer amendments.

I know what is happening in the Budget Committee. They are about to turn down requests for waivers for the amendment of the Senator from Kansas, the amendment of the Senator from Arizona, and the amendment of the Senator from Texas.

Mr. President, the issue is just not that simple. My remarks about the Budget Committee are not precipitated just because I happen to be the one involved in an amendment today. A number of Senators want to try to help some senior citizens in this country. It is unfortunate some members of the Budget Committee vote in a way to influence the outcome of certain legislation. In the Finance Committee the chairman indicated that we would have a chance to bring up all amendments.

We will bring up the amendments one way or the other. If the motion to recommend the bill fails, there are other ways to postpone action. They take longer, it takes more effort, but and I think I can speak for the Senator from Arizona—unless there is some agreement to bring up our amendments, then we have no recourse but to discuss this bill at length in order that the American people will understand there are some Senators concerned about the earnings income limitation. We think we ought to have an opportunity to offer an amendment on earning income. It appears the waiver will be denied by the Senate Budget Committee, because the administration is opposed.

My amendment was offered in the Finance Committee, and failed on a 9-to-9 vote. It was included in the presentation that we made to the Budget Committee, but then, in an arrangement worked out by the chairman of the Senate Finance Committee and the acting Budget Committee chairman, it was eliminated. There are several other amendments in the same situation—this amendment, the amendment of the Senator from Delaware (Mr. ROTH), and some others.

What we would hope to do by the amendment is raise the limitation on earnings as follows: to \$4,000 in 1978, to \$4,500 in 1979, to \$5,000 in 1980, to \$5,500 in 1981, and unlimited earnings in 1982.

This amendment was adopted on the House side by a vote of 268 to 149. There were no budget objections raised on the House side, but it is obvious—the Senator from Kansas has just attended the

Budget Committee meeting—that there is not going to be a waiver granted by this Budget Committee, because they are opposed to the amendment. Unfortunately, it is not the Budget Act they are concerned about; they are opposed to the amendment.

The Senator from Kansas is not disposed to rush this bill. Frankly, I do not think it makes much difference whether we vote on it today, on January 17, on February 15, on Washington's Birthday. We should have an opportunity to offer our amendments. If they lose on the floor, that is fine. We should not be shut out by some budget process that is vague; my amendment is cheaper, in the first years, than what is contained in the bill. The Budget Committee did not object to what we have in the bill. In the first 10 years, the committee bill costs \$24.8 billion, while the amendment of the Senator from Arizona (Mr. GOLDWATER), the Senator from Texas, and the Senator from Kansas, and other Senators, would cost \$24.9 billion—a difference of \$100 million in 10 years. But somehow our amendment is not to be heard on the floor.

It will be heard on the floor, but not through the regular process. We are left to our own initiative and judgment as to how we can best present this amendment to the Senate of the United States.

Mr. TOWER. Mr. President, will the Senator yield?

Mr. DOLE. I yield.

Mr. TOWER. I associate myself with what the Senator from Kansas has said. If for some reason we are barred by unfavorable action by the Budget Committee, or by the raising of a point of order that is made to lie against our amendments, so that we cannot get a debate and a vote upon the amendments on their merits, then I think we have no other recourse but to keep the Senate here on this matter for the remainder of this week, all through next week, and however long it will take. So I would anticipate under those circumstances we will no doubt have a Saturday session, a Monday session, and perhaps a Tuesday session.

Mr. GOLDWATER. Mr. President, Will the Senator yield?

Mr. TOWER. Because on a matter of this great importance, when we are looking at the long-range efficacy of the social security program, since we cannot get an adequate period for deliberation by the Budget Committee on a matter of this importance, I think, rather than clear the matter just for the sake of acting on it, we had better have some extended debate on it, and extended deliberations, and see if these amendments cannot be deliberated on their merits.

Mr. NELSON. Mr. President, will the Senator yield?

Mr. TOWER. I do not have the floor.

Mr. DOLE. I yield to the distinguished Senator from Arizona.

Mr. GOLDWATER. Mr. President, I associate myself with the remarks of the Senator from Kansas and the remarks of the Senator from Texas. This earnings limitation amendment is nothing

new. I have proposed it in the last three Congresses, and have not even been given the courtesy of an invitation to appear before the committee, nor have the members of the American public who are interested in abolishing the earnings limitation. We have come out here on the floor, on an amendment like this, and I want to read from the minority views of Senators CARL T. CURTIS, CLIFFORD P. HANSEN, ROBERT DOLE, and PAUL LAXALT, the first sentence in the second paragraph:

However, action should not be precipitate or foolhardy.

But that is exactly what we are doing. This report was on my desk this morning. I have not had time to read through the whole thing. Now we have the majority leader standing up and trying to move to table a motion to recommit.

We have heard a lot of chatter on this floor this afternoon about political courage. To me, it does not take any political courage to vote for a motion to table. I wish we could do away with motions to table. Why not vote these things up or down, in a fashion our people understand?

I do not criticize the majority leader. It is certainly within his rights to move to table. It is a Senate rule. But I do not like to hear talk about political courage on the part of U.S. Senators followed by a motion—the easiest, the most cowardly way to get out of voting on a hot measure I have ever heard of—to lay on the table.

I agree with my friends from Kansas and Texas that if we are going to be denied what I consider our right to offer an amendment without having similar objections made, this Senator lives 2,200 miles away, but I can stay here till hell freezes over, and I will be glad to do it to see a decent bill passed.

Mr. THURMOND. Mr. President, will the Senator yield half a minute to get somebody on the floor?

Mr. DOLE. I yield.

Mr. THURMOND. Mr. President, I ask unanimous consent that Mr. Skip Cowan of my staff be accorded the privilege of the floor during the consideration of this measure.

The VICE PRESIDENT. Without objection, it is so ordered.

The Senator from Kansas has the floor.

Mr. DOLE. Mr. President, I will take 2 or 3 additional minutes.

First, I ask unanimous consent to add, as additional cosponsors who were original cosponsors of this proposal, the names of the distinguished Senator from Oklahoma (Mr. BARTLETT), the distinguished Senator from Alabama (Mr. ALLEN), and the minority leader, the distinguished Senator from Tennessee (Mr. BAKER).

The VICE PRESIDENT. Without objection, it is so ordered.

Mr. DOLE. Mr. President, the Senator from Kansas has indicated what he believes to be the right course of action. Unless we can have an opportunity to present our views and our amendment, we will have no alternative. The Senator from Kansas believes this is a responsible way to proceed. Based on a conversation

with the distinguished ranking Republican on the Budget Committee, who may vote against granting the waiver, I believe the waiver will not be approved. It appears the die has been cast. The Senator from Kansas thinks the Budget Committee will resolve the matter.

In any event, whether the resolution is granted or disallowed, the Senator from Kansas, in an effort to be fair with his colleagues, serves notice that unless we can offer our amendment, to discuss our amendment for a reasonable length of time—30 minutes, 45 minutes, an hour—then have a vote on the amendment, we are prepared to speak at length. The Senator from Kansas is not in a habit of such conduct, but we can learn.

Mr. NELSON. Will the Senator yield?

Mr. DOLE. Yes.

Mr. NELSON. I say to the Senator from Kansas that, as he knows, the Finance Committee did recommend that a waiver be granted on that amendment. But the most convincing thing, as far as I am concerned, was a comment by the Senator from Texas. If the Budget Committee does not issue a waiver, I am going to vote to take up the legislation, because I cannot think of anything more frightful than listening to the Senator from Texas for a whole week. So at least the Senator from Kansas has my vote, so we can be saved from that.

Mr. DOLE. We will take it any way we can get it, and that is very helpful.

If the Budget Committee disapproves the resolution, we have a right to bring that to the floor and have the full Senate act. We can make a recommendation; if they fail to grant a waiver, we can only proceed on the floor or move to discharge the committee from further consideration.

Mr. President, I hope that the Senator from Kansas has responsibly made a point. I don't want to hold up the bill and hold up the Senate of the United States.

There is about as much to be said on one side as the other on the issue of postponement. This is a very important bill. It should be fully understood. Those of us on the committee have an advantage, because we have listened to the distinguished Senator from Wisconsin. We think we understand most aspects of the bill and all the amendments based on what happens after the motion of the distinguished majority leader, we can then chart our course. I thank the distinguished Senator.

Mr. ROBERT C. BYRD. Mr. President—

The PRESIDING OFFICER. The Senator from West Virginia.

Mr. ROBERT C. BYRD. Mr. President, I yield, without losing my right to the floor, to the Senator from South Carolina so he may respond on the point made by the Senator from Kansas. Then I shall yield to the Senator from Connecticut.

Mr. HOLLINGS. Mr. President, I only now came to the floor to hear something about discharging the committee; that, somehow, the Budget Committee itself was either lethargic or being obstructive or otherwise.

I want to clarify the Record that the Budget Committee has been most diligent. It met all yesterday. The day before yesterday, it got together with the Committee on Finance, at that particular time, being asked for a formal waiver for not only the bill but also five or so amendments.

Under the rules, not being allowed to amend the waiver resolution, rather than acting in just a unilateral fashion, we then asked for a meeting with the leadership and with the Finance Committee. We had that meeting. We said we could recommend approval for the bill itself because the Finance Committee was doing exactly what we had requested: namely, that somehow, revenues be obtained to maintain the financial stability of the social security system in the country. But in no way could we recommend approval for all these other waivers that went into \$4 billion, \$8 billion, and so on, in ensuing fiscal years, without a witness, without a chance to hear or not hear or give any kind of objective consideration.

My understanding is that, somehow, the Finance Committee members were told that the Budget Committee was arbitrary and was not going to consider them individually. The fact is that we requested the distinguished chairman, with the leadership present, that we have an opportunity to review certain resolutions—not only for the bill itself, but for the five amendments.

Now, we were given back the resolution with the Curtis amendments. We have acted on those. We are prepared, as the distinguished Senator from Kansas knows, because he was just at a meeting of the Budget Committee, and it was at request of the Senator from Kansas on the Budget Committee's request that we withhold action.

Here he is talking about discharging the committee, that the committee is not doing its job, when we are frankly responding to the Senator from Kansas.

He has to smile. I wish the record would show a smile on the face of the Senator from Kansas.

He said, "Let's hold up until we act and get a vote on recommitment. Then we will poll the individual members of the Budget Committee. Once polled, then we will have reported back the official waiver resolutions as being referred to the Budget Committee." They will be back at the desk. Then they will be subject to the action of the Senate. The Senate can accept our recommendation; what it is, I am not sure. We have not acted, we have not polled the members. But the Senate, by a vote at that particular time, can accept or reject on each one of those official waiver resolutions.

So we are acting in lock step, more or less, with the leadership and with the membership, trying to fulfill our responsibility on the one hand and while trying to bring to the attention of the Senate—not as Budget Committee members telling people what they should and should not do—but telling and reminding the Senate—which has a bad memory, obviously—that we are about to spend billions and billions of bucks in the

out-years without a single witness or having any idea or chance for the committee to look and give comprehensive judgment on the total fiscal policy.

I thank the distinguished majority leader.

Mr. ROBERT C. BYRD. I promised to yield to the distinguished Senator from Connecticut for not to exceed 10 minutes without losing my right to the floor.

Mr. RIBICOFF. May I have order, Mr. President?

The VICE PRESIDENT. The Senate will be in order.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

Several Senators addressed the Chair.

The VICE PRESIDENT. The Senator from West Virginia.

Mr. BELLMON. Mr. President, will the Senator allow the Senator from Oklahoma to make a very brief statement before the tabling motion is made?

Mr. ROBERT C. BYRD. How long will the Senator be?

Mr. BELLMON. Two minutes.

Mr. ROBERT C. BYRD. Mr. President, I yield to the Senator from Oklahoma for 2 minutes without losing my right to the floor.

Mr. BELLMON. Mr. President, the motion when drafted referred to H.R. 5322. That bill has now been substituted, or has had H.R. 9346 substituted for it.

I ask unanimous consent that that change in the motion be made, the motion referred to H.R. 9346.

The VICE PRESIDENT. The motion simply reads, the pending bill, and it is in the correct form.

Mr. BELLMON. I appreciate that correction.

Mr. President, I would like to try to straighten out what I am afraid is a misconception here on the Senate floor.

This action I have taken, the motion I introduced, was taken on my own initiative. It has nothing to do with the work of the Budget Committee. In fact, I have not talked with the members. I do not know how those individual members will vote.

I introduced this motion simply because I feel a bill of this importance and a bill as complicated as this is should not be considered in such a hasty manner and that the Members of the Senate need time to consider what the impact is before we vote.

I also want to say that I have no criticism for the way the Finance Committee, or the chairman of that committee, has operated as far as the Budget Committee is concerned. He was totally cooperative and everything as far as those two committees' relationship is concerned is strictly first class.

So I hope nothing I have said or done here in any way infers any criticism of the relationship between those committees.

We have enough problems, necessarily. We certainly do not need more. We do not need to bring up more.

I wanted to make that clear for the record.

The waivers that the Finance Committee requested have been granted I think in a timely way. There is no reason this matter cannot move ahead on that account.

But my reason is that I feel this process is hasty, not orderly, and a matter of this importance deserves time for the Members to fully understand what we are doing and to know what is in the bill and what is in the report.

I simply wanted to point out that I am not acting as the ranking member of the Budget Committee, but simply as the Senator from Oklahoma.

Also, I would like to point out for the information of the Members that after months of hearings the Finance Committee split 9 to 9 on a key vote on this matter. So obviously, after months, they could not make up their minds.

I do not know why they are so insistent that the Members of the Senate settle this matter in 1 or 2 days.

The reason for my motion is to give some time to consider the matter so that we come to the best possible solution.

Mr. ROBERT C. BYRD. Mr. President, does any other Senator wish to address himself to the matter before us before I move to table?

Mr. BAKER addressed the Chair.

Mr. ROBERT C. BYRD. I yield to the distinguished minority leader.

Mr. BAKER. Mr. President, I will take only a moment.

I intend to vote to table the motion to recommit. I share many of the same concerns others have expressed and I am frank to say that yesterday my view might have been very different. My view yesterday might have been to recommit, to give us an opportunity to look at this matter further. We are now almost 2 days into this measure, and for that reason I am inclined to think that we should go ahead and finish the consideration of this bill. Therefore, I will vote to table the motion to recommit.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. BAKER. I yield.

Mr. DOLE. Will the Senator from Tennessee agree that some of us who are shut out from offering our amendments should have an opportunity to offer them?

Mr. BAKER. I think the Senator from Kansas knows that I have tried my best to get the Budget Committee to grant a waiver so that the Senator can offer the amendment, of which I am a cosponsor. As a matter of fact, if this bill were recommitted, there would be no opportunity to do that.

The Senator from Kansas knows that I intend to support his amendment, and I will do so as enthusiastically as I can.

I see the Senator from Arizona here. He has a similar amendment of which I am a cosponsor, and I will support it.

The VICE PRESIDENT. The Senator from West Virginia is recognized.

Mr. THURMOND. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. How long would the Senator like to speak?

Mr. THURMOND. Half a minute.

Mr. ROBERT C. BYRD. I yield to the distinguished Senator from South Carolina.

Mr. THURMOND. I wish to ask a question. I have an amendment to this bill. I am going to vote to act on the bill now. I think we would make a mistake to delay action. We must allay the fears of the millions of people who are on social security and assure them that something is going to be done. At the same time, it seems to me that we should have the time to offer these reasonable amendments.

I have an amendment that concerns a very small class of veterans who are caught in a peculiar situation. It is

something that should be remedied as soon as possible. All I want to know is whether I will have a chance to offer that amendment.

Mr. ROBERT C. BYRD. The answer is, "Yes," I say to the distinguished Senator from South Carolina.

Mr. THURMOND. I thank the Senator very much.

Mr. DOMENICI. Mr. President, will the majority leader yield so that I may ask a question of the minority leader? It will not take more than 10 seconds.

Mr. ROBERT C. BYRD. I yield not to exceed 2 minutes to the Senator from New Mexico for that purpose.

Mr. DOMENICI. I think the minority leader knows how much I respect him. I disagree on this issue, but I wonder what has made the difference. What has caused the difference between yesterday afternoon at 5:30 and this afternoon at 3:30? What has caused the Senator from Tennessee to tell us yesterday he would have voted to recommit and today that he will not? What happened?

Mr. BAKER. Mr. President, my good friend and distinguished colleague from New Mexico, who is such an addition to this side of the aisle and who has been in league with me on many issues, knows that I have the highest affection and regard for him.

Mr. DOMENICI. That does not have anything to do with the question. [Laughter.]

Mr. BAKER. The Senator knows that what I am about to say has no bearing on his views on this subject or my own. The reason, I say to the distinguished Senator from New Mexico, is that I changed my mind. [Laughter.]

Mr. DOMENICI. I am delighted, and I thank the Senator for his frankness.

The VICE PRESIDENT. The Senator from West Virginia.

Mr. LONG. Mr. President, will the Senator yield?

Mr. ROBERT C. BYRD. I yield.

Mr. LONG. Mr. President, let me say this in all good faith to those who serve on the Budget Committee and those who serve on all the other committees.

I really believe that part of the responsibility is that Congress voted to be too generous. There was a floor amendment offered here that put us in that position in 1972. Now we have to cover the unfunded part of this social security program whenever we can do it.

We can come nearer to mustering the votes now than if we wait 6 months, when one-third of the Senate and every Member of the House will be that much closer to having to run for reelection. It is a difficult thing for Congress to measure up to, but we can come nearer to doing it now than we will later.

With regard to the Budget Act, I sort of like the idea that the Budget Committee can sometimes protect the Finance Committee and help us defend against an amendment that is going to cost a great deal of money. If the motion to postpone is defeated and a motion to table carries, I believe that, in good faith, in order to get on with the business, those of us on the Finance Committee should support those who want to offer their amend-

ments, if we must go against the Budget Committee, and let the amendments be disposed of on their merits.

In the long run, I do not think we are going to solve the problem involving the Dole amendment by just postponing it because of a technicality or denying somebody the right to have it come to a vote. It seems to me that we should cooperate, however we must, and I hope it will be on a straight up and down matter involving the resolution that the Budget Committee will report. We should cooperate, and I will do my best to cooperate, to see that every Senator has a chance to offer his amendment.

I fully realize how Senators feel when they have an amendment and believe they can muster a majority vote, and then they are told they cannot have a vote because of a technicality or because of the Budget Committee or because of something else. I will do everything in my power to see that those Senators such as Mr. DOLE who wish to offer amendments, have an opportunity to do so, and we will vote on them and do what must be done, if the Senate sees fit to go forward and fulfill its duty of trying to see that this social security program is funded. That is so important that we should try to do it any time we can; and I believe we have a better chance to do it now than 6 months from now.

Mr. BELLMON. Mr. President, will the Senator yield for a question?

Mr. ROBERT C. BYRD. I yield for that purpose.

Mr. BELLMON. The Senator raises the point that we got the social security program in this shape by hasty action in 1972. I am concerned that if we take the same kind of action now, we will regret it later.

Mr. LONG. The action we took in 1972 was not hasty action. It was thoroughly considered. But the action was ill-advised. Frankly, nobody could have done any better at the time.

At that time, the Advisory Committee on Social Security said we could afford a 20-percent increase and an automatic cost-of-living increase provision. They were advising us that we could afford what that amendment provided when it was offered on the floor by the Senator from Idaho (Mr. CHURCH), on behalf of the Committee on Aging. We went along with it, and I supported it, as did almost every other Senator here, because the Commissioner of Social Security and all those who always had been able to give us very solid and reliable predictions and cost estimates said this was something we could afford. I hate to say it, but the best experts in America proved to be in error. That is how we got into this situation.

Mr. BELLMON. It was a floor amendment, brought up on the floor, after the bill came out of committee, and was not carefully considered.

Mr. LONG. That amendment was voted on in the Committee on Finance. Many of us voted for it in the committee, but it failed. I voted for it in the committee. It was offered on the floor, but there was a lot of respectable advice—in fact, I would say the overwhelm-

ing burden of respectable advice—headed by Mr. Robert Ball, the Commissioner of Social Security, and others, to the effect that we could afford it. They said we should adopt these so-called dynamic assumptions. Those dynamic assumptions proved to be too dynamic—more dynamic than we could afford. So we found ourselves in the situation we are in today.

Mr. BELLMON. Is the Finance Committee taking Mr. Ball's advice on this bill?

Mr. LONG. On this bill, we are taking the advice of all the experts we can. We are taking the advice of everybody in the Department, including Secretary Califano, and our own experts.

I believe that if the Senator seeks the advice of his committee staff—that is, if he starts with Miss Rivlin and works his way down; if he takes the burden of the best advice that staff can muster, and he has some very fine experts, they will tell him that we must do something like this whenever we can or this program will not be solvent.

Mr. BELLMON. All we are asking is that we have time to consult those experts and find if this bill is the best we can do.

Mr. LONG. The Senator's experts have been advising us that this bill should be passed; so have our experts been advising us that this bill should be passed; and so has every expert in the Department been advising us that this bill should be passed.

All we are talking about is that Senators and Members of the House should overcome their reluctance to vote for a big tax and overcome the political burdens implicit in all that, to muster whatever it takes to vote the tax to make this program solvent.

Mr. BELLMON. Mr. President, will the Senator yield for an additional question?

Mr. ROBERT C. BYRD. I yield for that purpose.

Mr. BELLMON. Just to be sure my facts are right, I am told that the trust funds at the end of this year, December 31, 1977, the combined trust funds, will have a balance of \$46.1 billion and that a year later, on December 31, 1978, those trust funds still will have a total of \$43 billion remaining.

I cannot understand the reason for the rush. If the fund is going broke, certainly we should do something as quickly as possible.

We have months or even years to consider this matter before we have to move in such a hasty fashion.

Mr. LONG. Mr. President, it was a Senator from Oklahoma, the late Robert S. Kerr, who insisted that disability insurance should be a separate program and a separate fund. Shortly after the end of next year that program will go broke. A few years later, in 1983, the old age and survivors insurance fund runs out of money. The Senator says why can we not wait until then? For one thing, if we wait we are going to have a \$1 billion increase in burden because of that Supreme Court decision on equal rights which is going to load a lot of people on the rolls who do not belong there—which would not happen if this bill becomes law now.

It is a \$1 billion windfall that no one ever intended because of the Supreme Court decision. I am not challenging their decision now. Now that we know what it is this bill adjusts for it. That is No. 1.

No. 2, it is purely a matter of what time does the Senator think we can muster most political courage in the House of Representatives and the Senate? In the Senate one-third of our Members run for reelection next year. The nearer we get to that election, the tougher it is going to be for those Senators to vote for this bill even though they know that is a matter of fiscal responsibility.

In the House of Representatives every man over there has to seek reelection next year. There are 435 of them. And the nearer we push those men to election the more difficult it is going to be for them to vote for this bill.

My point is that we should have voted the taxes 3 years ago, we should have voted them 2 years ago, and we should have voted them last year. But for one reason or another, such as the fact that President Ford had a tough race coming up—and it proved to be a very tough race—and because of things of that sort we could not do it then.

When can we ever do it? We have a chance right now. No one right now has a tough race on his hands. Next year they will all have opponents beginning to enter the field and announcing their candidacy against many and sundry people for the jobs next year.

We could come nearer passing it right now than at any other time.

Let me ask, as a matter of political reality, can anyone here muster more courage to vote for a great big tax 6 months from now when we are 6 months closer to an election than right now?

That is as strong a reason as I can figure out why we should do it any time we can.

We could come nearer passing it right now as a matter of political reality than we can 6 months or a year from now.

Mr. NELSON. Mr. President, will the Senator yield for an observation?

Mr. LONG. I yield to the Senator for an observation.

Mr. NELSON. We have been trying to find out how much it would cost if we delayed, and the Senator was suggesting \$1 billion, that it would cost \$1 billion because of the Supreme Court decision, with the increase in the replacement rate that is going on, as well as the retroactive benefits. The actuaries have been working on it for some time now and estimate that if we wait until March—the resolution here is February—if we wait until March and it would probably be February before we get it through, the additional cost to the fund would be \$1,200,000,000, and that alone is far too much just to postpone consideration of this bill and go back and take another look at it and pass what we started out with in the first place.

I might say this, if the Senator will allow me a moment, that there is a nice piece of irony here in the fact that many Senators have been standing up and saying, "Oh, we have to study it further; we have not had the hearing record long

enough; we have not had the committee report long enough."

I have been looking down the rollcall, and I will not embarrass anyone, but an hour and a half ago on a veterans' bill that is going to cost hundreds and hundreds of millions if not billions of dollars there was no hearing at all, as there was on social security. There was no committee report at all. There was 24 hours' notice, and we passed it 68 to 20 with the same Senators who are now saying, "Send this back for more studies," being part of the 68. I must say I am proud to say I was not part of the 68. I was part of the 20.

Mr. MORGAN. Mr. President, will the Senator yield?

Mr. LONG. Mr. President, if the Senator will let me say it, this is a big tax. If you want to fund the obligation and take these dear old people, disabled people, and widows and orphans who have a right to expect that Congress is going to fulfill the promise it made to them in the Social Security Act, if you want to take them out of that place of insecurity they are in with an unfunded program and you want to put the money up as was always in the past, so that what has been promised them will be paid for out of taxes that the American people will make good, not by inflation, but by taxes to pay for the benefits, you are going to have to vote for a big tax, and there it is right there in this bill. The more you study it the tougher it is going to get and the longer you study it the tougher it is going to get. But at some point you are going to have to march up the hill and find 51 votes to pass that tax. Otherwise, this program will have to be funded by hot checks out of the Treasury where the purchasing power of the money goes down as fast as they print the money. Sooner or later we are going to have to find a way to fund what we have promised the American people. It is not going to be any easier just because you postpone that tough decision.

I believe that our proper course now is to act and to act now to protect the financial soundness of the social security system. The alternate course, which is one of procrastination and delay, can only contribute to a loss of faith by the American people in Congress.

The second reason why I make this motion and urge Senators to support the motion to table is the fact that the President when he considers whatever tax initiatives he wishes to present to Congress next year needs before him the impact of the social security financing measure and the impact of the energy tax bill, which has been passed by the Senate and which is in conference with the House of Representatives.

Before the President can make a reasonable judgment as to what proposals to send to Congress with reference to taxes next year, he needs both of these matters before him. He needs to know what the impact upon the economy will be. Until he has both of these measures before him, he will not be in a good position to formulate whatever decisions he feels he has to make in regard to the proposals that he will submit.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. MATSUNAGA. Mr. President, will the distinguished Senator yield for 30 seconds?

Mr. ROBERT C. BYRD. I yield to the Senator from Hawaii.

Mr. MATSUNAGA. Mr. President, I urge my colleagues to vote "yea" on the tabling motion.

As a member of the Finance Committee, who has had the great privilege of serving under the chairman who today is celebrating his 39th birthday for the 29th time by working for the American people, I say happy birthday, Russ.

Mr. ROBERT C. BYRD. Mr. President, I shall shortly move to table the motion to recommit. I do that for at least three reasons.

One, the problems that the system faces today have already been analyzed by the board of trustees of the social security trust fund in its 1977 report to Congress. The board has informed us that the disability insurance trust fund will be exhausted in 1979 and the old age and survivors trust fund will be depleted in 1983.

In that regard, Mr. President, I ask unanimous consent to print in the Record a letter which I have received from the President of the United States, dated November 3.

There being no objection, the letter was ordered to be printed in the Record, as follows:

THE WHITE HOUSE.

Washington, D.C., November 3, 1977.

HON. ROBERT C. BYRD,
Majority Leader, U.S. Senate.
Washington, D.C.

TO SENATOR ROBERT BYRD: Enactment of a strong social security financing bill is essential this year.

To avoid unacceptably high costs to the system and unacceptably high taxes on today's workers, the legislation should retain a reasonable earned income limitation for social security beneficiaries and should include financing provisions such as the so-called Nelson compromise. I hope that the Senate will take into account my concerns in this regard.

Sincerely,

JIMMY CARTER.

Mr. ROBERT C. BYRD. Mr. President, I shall read merely the first sentence.

Enactment of a strong social security financing bill is essential this year.

Mr. President, the third reason why I shall move to table this motion lies in the fact that now is the time to act. Next February we will have the same problems that we have now except they will be compounded.

There will be those who will say "We still have not had time enough to study." We will have more legislation than we can adequately deal with next February without this problem. We will have the Panama Canal Treaty; we will have whatever tax initiatives the President decides to send up to Congress; we will have the regular appropriation bills we have to cope with every year; we will have to meet the same Budget Act deadlines with respect to the reporting of bills and the reporting of legislation that provide for new obligational au-

thority; we will have all of those deadlines to meet. So we are not lessening our problem by delaying this one until next February.

I say, Mr. President, that Senator Long has put his finger right on the crux of the matter. Next February there will be those who will be facing a filing deadline back in their States; those who have to run for reelection will be facing a filing deadline. They will want to wait until after the filing deadline before they showdown on these taxes.

After we pass the filing deadline they will want to wait until after the State Primaries before they showdown on these taxes.

Then, of course, after the State primaries they will want to wait until after the fall elections because the argument will be then, "Well, the trust fund"—the argument will run like this—"Well, the trust fund, the disability trust fund, won't be exhausted until 1979, so let us wait until next year."

So, Mr. President, let us have away with this urging we have for procrastination and delay. I am one of those who often vote on legislation without having had time to study the committee report, without having had time to study the bill. Every Senator in this body is put into that position from time to time, so there is nothing unique, there is nothing new, about this particular situation.

There are those who say, "Why rush the bill?" Well, we have all of tomorrow, we have all day Saturday, and if we stay here until the close of business on Saturday on this bill, that will make a total of 4 days we will have spent on it. If Senators want to consider the bill further, the Senate has been promised by the distinguished minority leader and me there will be no floor action next week in the Senate. But no such promise was made with respect to the week of the 13th through the 19th.

I urge Senators not to commit this bill, because if we do it means we have wasted 2 whole days here in delay. Senators could have called up amendments, and we would be putting the bill back into the committee until next February. For what? For additional delay.

I would say, Mr. President, if we want some additional time to debate the bill, we can have it. We do not have to commit the bill. It is the unfinished business, and if action is not completed on it by the close of business Saturday, it will be the business before the Senate when the Senate convenes on November 14, a week from this coming Monday.

If they want additional time, and the Senate has not completed action on the bill during that week, the distinguished minority leader and I have assured Senators that the week of Thanksgiving we will have no floor action, but on November 28, Monday, this bill will still be the unfinished business. If Senators wish to continue to debate until that time they may do so. But whatever they do, the question of committal should not be decided on the point that we are rushing it through, that we are ramming it down the throats of the Senate.

There is plenty of time to debate this bill without putting it over until next

February if Senators genuinely want to debate it. We do not have to close up shop Saturday night. We can continue to act on this measure. It is the unfinished business, and it will be the unfinished business until it is disposed of.

If the Senate wants to dispose of it by committing it that is one way to dispose of it. If the Senate wants to dispose of it by tabling, that is one way to dispose of it. But it will not be disposed of by virtue of the majority leader Saturday evening saying, "Well, we are just going to put it off until next year." You can just forget that.

I would hate to see tomorrow morning's headlines say, "Senate shelves social security financing bill." How many of you want to be responsible for that headline? How many of you want to respond to the letters that will come to you then?

We have a responsibility to face up to this question. The committee has faced up to the question. If we need more time we can have it. But in any event do not commit this bill; committing it means killing it, that is exactly what it means.

If we wait until next February we will be waiting until February 1979.

So, Mr. President, I yield 2 minutes, before I move to table the motion, to the Senator from Wyoming.

Mr. HANSEN. I thank the distinguished majority leader.

Mr. President, I have been tied up in a couple of conferences today, and I have not been able to be on the floor to participate like I would have liked to have done on this bill.

Let me say I voted for the Curtis amendment. Let me say I am disappointed that the Senate of the United States seems to continue in the belief, the mistaken conviction, that we can fool all of the people all of the time.

There is no question at all but what inflation is one of the very major and increasingly difficult problems facing this country. There is an uneasiness in the business community. The stock market is dropping steadily. I do not know what it has done today, but generally the attitude of the typical businessman is that this is not a very good economic climate.

We are worried about jobs. It has been pointed out earlier today, from what I have been told, that one of the things that is wrong with the approach we are now taking is that it is going to make it more difficult to employ men, to generate the kind of income that can result in more jobs.

I was not on the Committee on Finance too long before 1972, but I recall that when we were talking about the Church amendment there seemed to me to be a consensus, and I think the Record will reveal that a majority of us voted, against the so-called Church amendment. But there were others who did not, and it was said that one of the things that was bound to happen—and I know the distinguished Vice President at that time, as I recall, was on the Committee on Finance, and I suspect he too may recall—it was observed that the reason why the Committee on Finance ought to vote to give these extra benefits that now come back to plague us, despite the

expert advice we had, was that if we did not do it in the Committee on Finance it would be done on the floor. Indeed, we did not do it in the Committee on Finance and, indeed, it was done on the floor.

I do not think the solution we are offering to the American people today is all that good. I would be inclined, if I thought that a better equilibrium could result, if a better sense of balance could occur, to postpone the decision. But I think there is a lot to what my distinguished chairman has said, that if we put it off until next spring we probably will not come up with as good a solution as we have right now.

I am not happy with it. I did not vote for it, but I am going to vote to table the motion of the distinguished Senator from Oklahoma because I am fearful, being the kind of political animals we all are, that we probably will be less inclined in February to do the honest and decent and long-range good thing that I regret we have not done until now.

So I say with a sense of sadness, with a sense of frustration, that I will support the motion to table the motion of the distinguished Senator from Oklahoma not because I do not think he is right, but precisely because I fear that come next spring we will be even more conscious of the illusion that we continue to perpetuate on Americans, that if we do not tax them, but if we continue to pay them more and more benefits, we are good guys.

I thank my leader.

THE SOCIAL SECURITY TAX BILL

Mr. CHURCH. Mr. President, I oppose this legislation. I will vote to recommit it because it provides for a huge tax increase—one of the largest in history—and a highly regressive tax, at that. The social security tax, like the sales tax, falls hardest on those less able to pay.

I recognize that the Social Security System must remain solvent. But I had hoped that it would be possible to fashion a bill that would not only meet the fiscal needs of social security, but also accomplish other objectives as well.

For example, this country needs a much-improved comprehensive medical program for the elderly, the handicapped, and the poor. We need a program that eliminates the gaps that now exist between coverage under medicare and medicaid.

I feel that medicare should be removed from the social security trust fund and financed, instead, through general revenues. Medicaid is already financed this way, and the two should be blended into a uniform system. General revenues come mainly from the income tax, so that the financing would be made progressive in nature, rather than regressive.

If we were to remove medicare from social security as part of a general overhaul, it would lift a big burden from the social security trust fund. That, in turn, would make it possible for us to lower substantially the rate increase contemplated by this bill.

Accordingly, I will cast my vote to commit this bill, and if the motion carries, I will introduce legislation designed

to accomplish these objectives soon after Congress reconvenes next year.

The VICE PRESIDENT. The Senator from West Virginia.

Mr. ROBERT C. BYRD. Mr. President, I move to lay the motion to commit on the table, and I ask for the yeas and nays.

The VICE PRESIDENT. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The VICE PRESIDENT. The question is on agreeing to the motion of the Senator from West Virginia to lay on the table the motion of the Senator from Oklahoma to commit the bill. The yeas and nays were ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. SPARKMAN (when his name was called). Mr. President, on this vote I have a pair with the Senator from Maine (Mr. MUSKIE). If he were present and voting, he would vote "nay." If I were at liberty to vote, I would vote "yea." Therefore, I withhold my vote.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Iowa (Mr. CLARK), the Senator from Iowa (Mr. CULVER), the Senator from Hawaii (Mr. INOUE), and the Senator from Arkansas (Mr. MCCLELLAN) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Iowa (Mr. CLARK) would vote "yea."

Mr. STEVENS. I announce that the Senator from Kansas (Mr. PEARSON) and the Senator from New Mexico (Mr. SCHMITT) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The result was announced—yeas 54, nays 36, as follows:

[Rollcall Vote No. 614 Leg.]

YEAS—54

Anderson	Haskell	Nelson
Baker	Hathaway	Nunn
Bayh	Hollings	Pell
Bentsen	Huddleston	Percy
Burdick	Humphrey	Proxmire
Byrd	Jackson	Randolph
Harry F., Jr.	Javits	Ribicoff
Byrd, Robert C.	Johnston	Riegle
Cannon	Kennedy	Barbanes
Cranston	Laxalt	Stafford
Curtis	Long	Stennis
Dole	Magnuson	Stone
Durkin	Mathias	Talmadge
Eastland	Matsunaga	Thurmond
Ford	McGovern	Williams
Glenn	McIntyre	Young
Gravel	Melcher	Zorinsky
Hansen	Metzenbaum	
Hart	Moynihan	

NAYS—36

Abourezk	Domenici	McClure
Allen	Eagleton	Metcalf
Bartlett	Garn	Morgan
Bellmon	Goldwater	Packwood
Biden	Griffin	Roth
Brooke	Hatch	Sasser
Case	Hatfield	Schweiker
Chafee	Hayakawa	Stevens
Chiles	Heinz	Stevenson
Church	Helms	Tower
Danforth	Leahy	Wallop
DeConcini	Lugar	Weicker

NOT VOTING—9

Bumpers	Inouye	Pearson
Clark	MCClellan	Schmitt
Culver	Muskie	Scott

So the motion to lay on the table the motion to recommit was agreed to.

Mr. NELSON. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. LONG. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Sparkman, for.

The effect of this amendment would be to provide a 10-percent reduction in social security tax rates for State and local governments and not-for-profit employers beginning January 1980.

The reason for the beginning date in January of 1980 is to address myself to a problem with the Budget Act. I do not want to be subject to a point of order. Originally, this amendment would have provided for a refundable tax credit payable to State and local governments and nonprofit employers equal to 10 percent of their total social security liability.

But for reasons having to do with the Budget Act, I have now modified my proposal in the amendment I will send to the desk which will provide for a simple reduction equal to 10 percent of the percentage tax rate which would otherwise be applied to all those classes of employers beginning in 1980.

In 1979 this group of employers would not be subject to the tax increase, social security tax increase, which we are now considering in this particular bill.

Mr. RIBICOFF. I wonder if my distinguished colleague, Mr. President, would yield for a few questions?

Mr. DANFORTH. Certainly.

Mr. RIBICOFF. First, I want to commend the Senator from Missouri for his understanding of the seriousness of this problem and his hard work in bringing about this amendment. I am privileged to be a cosponsor with him. But there are a few questions that should be answered, it seems to me.

Would this amendment in any way reduce any taxes paid below the current obligations?

Mr. DANFORTH. The answer to that question is, no. No employer will be paying less taxes in 1979 than he did in 1978. No employer under this amendment would pay less taxes in any year after 1980 than he did in 1979.

That question was raised to me by some people who were interested in the amendment, and we have specifically drafted the amendment to absolutely provide that there is not going to be any windfall for anybody. Nobody is going to be better off than he was in 1979.

As a matter of fact, as a class, this group of employers, governmental employers, and eleemosynary employers, is going to be suffering a tremendous increase in social security tax liability between now and the decade from now.

In 1976, last year, this group of employers paid \$6.6 billion in social security tax liability. That amount would be increased in 1987 to an estimated \$21.6 billion or a total increase of 227 percent if we do nothing. If we do agree to this amendment, instead of having the increased social security tax liability for this class of employers go up 227 percent, it would only go up 197 percent.

Mr. RIBICOFF. The Nelson amendment, which addresses the same problem, does it give the same type of relief as given other groups?

Mr. DANFORTH. I am sorry, I missed the question.

Mr. RIBICOFF. Is it not true that only a small part of the huge increase in taxes these groups will pay will remain as in the Nelson proposal?

Mr. DANFORTH. That is absolutely correct. I think this is a very, very important point to be made. Social security taxes are going up on everybody no matter what we do in this bill. If we follow the Nelson proposal the social security taxes are going up. If we follow the Curtis proposal social security taxes are going up. If we do nothing social security taxes are going up very considerably and, particularly, on this last group of employers.

If we do absolutely nothing, nothing at all, in this bill in 1979 State and local governments and not-for-profit organizations will be paying \$2.9 billion in social security taxes more than they are now because of base increases and rate increases that are already programed in existing law to take place at that time.

Mr. RIBICOFF. I wonder if I could have the appraisal of the Senator from Missouri as to what happens with his particular group of employers if they have to pay this increase in social security taxes?

Mr. DANFORTH. I think that it is important to recognize that this group of employers very often is existing on a very slim margin. I think anyone who reads the newspapers understands the fact that many city governments and many school districts are having a very difficult time right now. What is happening, for example, in New York City is something that the Senate has concerned itself about in the past.

We read in last weekend's newspapers that Toledo, Ohio, which I guess fortunately for it is not part of the social security system, had to close its public schools last week.

Similarly, the YMCA here in Washington, D.C. operates at a deficit of about \$50,000 a year, and has for the last 7 years.

So we have a group of governmental units and not-for-profit organizations which very frequently are operating on a very slim margin, and it is on that group of employers that, with or without this bill, we are about to impose a very large increase in liability.

Mr. RIBICOFF. Is it not true that there is a very different situation as between the private, for-profit employer and the type of employer involved in this amendment? Is there not a benefit that the private for-profit employer receives that this type employer does not receive, and will the Senator please explain the impact on both employers?

Mr. DANFORTH. Yes. If an employer is in a profitmaking enterprise and he pays social security taxes, the amount that he pays in social security taxes may be recouped from Federal income taxes by way of deductions. Social security taxes paid are a deductible expense from the income taxes of a private, profit-making enterprise.

Obviously, this group of employers is not profitmaking and does not pay Federal income taxes, and therefore it is not able to recoup any portion of the tax increase.

It is said, "Well, it is an advantage to this group of employers that they do not have to pay income taxes."

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

Mr. DANFORTH. Mr. President, at the appropriate time I will send to the desk an amendment which is cosponsored by Senators RIBICOFF, ALLEN, ANDERSON, BAKER, EAGLETON, FORD, LAXALT, HATFIELD, MATSUNAGA, PACKWOOD, DOLE, LUCAS, and SCHMITT.

That is absolutely true; it is a tremendous advantage that Congress, in its wisdom, has given this group of employers. But it is also true that this group of employers, as previously stated, is operating on a very thin margin, and therefore what we are about to do to this group of employers is about twice as harsh as what we are about to do to the profit-making employers.

A profitmaking employer, if it is a corporation and makes more than \$50,000 a year, has a marginal income tax rate of 48 percent. That means that for every dollar in social security taxes paid, they get a deduction which is worth 48 cents. That does not apply, obviously, to not-for-profit employers.

Mr. RIBICOFF. Mr. President, I thank the Senator from Missouri. I share his belief that it is time to provide meaningful aid to our States and localities and to nonprofit organizations. I am pleased to be a cosponsor of this amendment and I urge its adoption.

Mr. President, I believe that it is time to provide some relief from increasing social security tax burdens to our State and local governments and our charities and schools. This group of employers will suffer a tripling of their social security tax liability over the next 10 years—a \$15 billion tax increase. They cannot pass this through. They cannot have the burden offset by the Federal Treasury. They must face the decision of whether to reduce services, cut back on wages and employees, or pull out of the social security system.

These are not fat organizations. We are all aware of the constant state of fiscal crisis of our cities and States. They are forced to cut back on services every day. Do we want to add to that?

Private, for-profit employers receive some offset against their social security tax liability. They do not bear the entire burden. In 1979 they will receive an estimated \$23 billion in offset. The Danforth proposal would give State and local governments and nonprofits approximately \$1 billion in relief.

The Nelson proposal offers some modest relief to some of these employers—but only to those with high-paid employees. The Nelson proposal does nothing at all for those cities, towns, States, charities, and other nonprofits whose employees earn less than \$19,500. The Danforth amendment offers these employers relief as well.

State and local governments and nonprofit organizations have the right to pull out of the social security system. Certainly their decision is not based solely on the tax burdens, but this growing tax burden does have some impact. We want to encourage all of these employers to stay in the system—not just those with high-paid employees.

Under the Nelson proposal the relief disappears over the years. The Danforth amendment offers some permanent relief. The problems of our State and local governments and our nonprofit employers will not lessen. Our help to them should not decline just as their burden increases.

Mr. DANFORTH. I certainly appreciate the questions and the comments

of the Senator from Connecticut, who served so ably on the Senate Finance Committee and who participated in hearings on this bill and in the markup on it, and is very familiar with the details of what is involved.

I think that particularly in view of a letter which was sent out by Secretary Califano last night, it is important to recognize the fact that this proposal would not create a windfall for anyone. Nobody, no employer, is going to be better off as a result of this amendment than he is now. No employer, as a result of this amendment, is going to be better off in 1980 than in 1979.

Again, as a class of employers, State and local governments and not-for-profit organizations are going to witness, in the period of a decade, a 227-percent increase in their social security tax bill. What we are saying is that 227 percent is too much. We cannot afford to do everything for them. We cannot afford to hold them absolutely harmless. But what we can do is reduce the percentage of their social security taxes by 10 percent, so that, for example, if they were paying a 7-percent social security tax, it is reduced to 6.3 percent.

The result of this move would be that over the next decade, instead of experiencing a 227-percent increase, they would experience only a 197-percent increase, which in and of itself is very substantial.

There is a temptation here to talk only in terms of aggregate employers and in terms of great generalities. When I came over to the Senate floor yesterday and engaged in a colloquy with the Senator from Wisconsin (Mr. NELSON) on this subject, he said, in essence, "Well, the value of the dollar is shrinking anyhow because of inflation, and when you consider what is going to happen 10 years from now, it really does not matter that much."

Mr. President, the fact is that it does matter that much. It does matter a great deal for this group of employers. The question is not simply what is going to be the case in the year 1987, which seems a long way away, but what is going to be the case in 1979. What is going to be the difference between the social security tax liability of specific employers between 1976, which was last year, and 1979, when what we are about to do takes effect and when increases already programmed in the law take effect?

I would like to give the Senate a number of examples of what is going to happen.

The city of Kansas City, Mo., is going to experience, over a 3-year period of time, an increase in its social security tax liability of \$812,104.

The city of Lincoln, Nebr., is going to have an increase in its social security tax liability of \$630,000.

For Omaha, Nebr., the increase will be \$398,000.

Houston, Tex., will have its social security tax liability increase \$811,000.

Milwaukee, Wis., will have its social security tax liability increase, in 1979, \$534,668 over what it is this year.

The story with respect to colleges and universities is even more striking; and

I think anyone who has any close connection at all with colleges and universities knows the very serious financial difficulties they are in right now. I am told some 16 universities are now charging annual room, board, and tuition of \$7,000 a year or more per student, which has the effect of pricing middle income families, particularly families with more than one child, out of education in those institutions.

Yet what we are now saying, as a result not just of this bill but of what is already programed in the law, is that we are going to impose a very substantial increase in social security tax liability on colleges and universities.

The University of Texas—and I see the Senator from Texas (Mr. BENTSEN) on the floor—between 1976 and 1979, will have an increase in its social security tax liability equal to \$2.92 million a year.

One Midwestern university reports that its social security tax liability in 1979 will be \$2,281,000 more than it was last year. Washington University in the city of St. Louis will have its social security tax liability increased by a little over \$1.5 million. This is just the social security tax liability, in addition to all other problems universities are having with the increased cost of energy and inflation in general.

The University of Missouri at Columbia will have its social security tax liability in 1979 increased to a point where it will be more than \$3 million more than it was in 1976.

These figures are just 1979. This is just the immediate problem. This is not the problem extended with all of the rate increases and all of the base increases that we have programed into the law between now and the year 2000. The problem will get worse, not better.

All that is being said in this amendment is that we are putting too much of a squeeze on this group of employers who have such difficulty oftentimes passing on the cost to anyone else, and who will not be able to recoup any portion of it from the general revenue by way of a tax deduction.

There has been a lot of discussion on the floor of the Senate about whether or not we should be dipping into the Treasury itself, whether or not we should be drawing upon general revenue. It was part of the administration's proposal that we should be.

My senior colleague from Missouri offered an amendment yesterday to do approximately what the administration wanted to do, to draw upon general revenue and put that into the social security trust fund.

What is not really widely recognized is the fact that right now under present law we have very substantial general revenue funds used to finance social security, and it works because of the income tax deduction. That is, when there is a tax imposed on a profitmaking employer and he pays that tax to social security, he is going to recover 48 percent from the Treasury by virtue of reduced Federal income tax payments.

What we are saying in this amendment is that that is a form of general revenue

sharing. What we hope to do now is to provide some sort of cushion, even a 10-percent cushion, which is much less than we do for the profitmaking sector. We already do provide a very substantial cushion, a 48-percent cushion, for the profitmaking sector, the corporation earning \$50,000 or more per year.

Let me give some other figures to drive home what we are talking about in this amendment, the problem to which we are trying to address ourselves.

The Salvation Army, I would submit to the Senate, is not exactly a well-heeled operation. Yet the Salvation Army is going to be facing a very substantial increase in the amount of money it must pay into the social security trust fund in the very near future.

The Salvation Army in the eastern region will have its social security tax liability increased from 1976 to 1979 by \$581,000 a year.

The Salvation Army in the southeast region will see its social security tax liability increased over a 3-year period of time by \$219,000 a year, the annual increased payout into the social security trust fund.

In the midwest region the Salvation Army is going to be paying into the social security trust fund by the year 1979 \$400,000 more than it paid in 1976.

In the western region, the Salvation Army will be paying \$456,000 more in 1979 than it did in 1976.

I could go on down the list. I could stand here with examples which I have before me and read them all day, as to the effect of what we are doing and have already done in the law to not-for-profit organizations and State and local units of government.

The American Cancer Society, a national organization, is going to be paying in \$593,505 more in 1979 into the social security trust fund than it paid in 1976.

That is the kind of burden we are talking about. It is not an abstract issue at all. It is a question of how much can we squeeze out of these organizations; how much can we squeeze out of a school district that is already going broke; how much can we squeeze out of New York City or Buffalo, N.Y., which are already in a very precarious financial situation; how much, quite literally, can we grab out of the pot that Santa Claus is standing beside for the Salvation Army on the corners of our cities at Christmas time?

That is what we are talking about when we offer this amendment.

Mr. President, it seems to me anomalous for us—meaning the Congress—to provide as a matter of law that the General Motors Corp. can recoup 48 percent of its social security liability from the public till, general revenue, and that the Salvation Army can recover absolutely nothing.

What this amendment would do would be to simply reduce by 10 percent the amount that the Salvation Army or any other not-for-profit or governmental unit would have to spend.

I believe it is obvious that this group of taxpayers is in very serious financial condition. This is the point Senator RUDOLPH raised in asking his questions. It is obvious that cities all over the

country, particularly larger cities, are having a difficult time making ends meet.

In 1976, the city of Detroit, Mich., had to eliminate 4,100 positions and cut salaries 8 percent. It had to further cut its funds for welfare services and prisoner care by 8 percent. Still it projected a deficit in its budget of \$17.6 million last year.

I am told that since 1971 more than 200 colleges in the United States were compelled to either close their doors or merge. Again, this is the very class of employers who are going to suffer this tremendous increase of social security tax liability. It is much more of a blow to them than it is to the profitmaking sector. Unless we provide for some sort of relief by way of this amendment there is going to be absolutely nothing to cushion the blow.

We talk a lot about the role of Government, the responsibility of Government to take care of the needs of the American people. I believe in that. The American people expect things from their Government. The American people expect a first-rate education for their children. They expect first-rate health care when they are sick. They expect first-rate emergency services when they need them, police protection and fire protection. They expect first-rate social services when they need them.

But it is important to recognize, I believe, that these services are not performed by us here in Congress. They are not performed even by the Department of Health, Education, and Welfare. These services of educating the children of the American people and providing health care for the American people and providing emergency protection and social services for the American people are not performed here by the Federal Government in the marble palaces of Government in Washington. Instead, they are provided by local governments in cities like Joplin and Rolla and St. Joseph, and local school districts, which educate the children, and local hospitals located in communities all over this country. They perform the service.

When there is a disaster, it is the Red Cross that steps in, and when there are people in need, it is the Salvation Army or the United Fund Campaign or other organizations that take care of those needs.

That is how we take care of our sick. That is how we educate our people. It is not by any new study group that we have here in Washington. It is out there in the communities where the job is done.

I simply want to raise for the consideration of Members of the Senate that it is these local governments and these not-for-profit organizations who are really doing the job, who are extending care to those who are helpless and providing education for our children, and rescuing children from burning buildings, and everything else that is done in local communities. It is these groups of people that really provide the service to the poor and the needy and the helpless, and that we are increasing the social security tax liability of by 227 percent.

Mr. PACKWOOD. Will the Senator yield for a question?

Mr. DANFORTH. Certainly.

Mr. PACKWOOD. Do I understand correctly that, under the bill as now written, it would be the nonprofit organizations that would receive the biggest breaks in terms of tax break—

Mr. DANFORTH. Mr. President, may we have order in the Senate, please?

The PRESIDING OFFICER. Will the Senator suspend for a moment. Will the Members please take their seats and let us have the aisles cleared? It would be helpful if the conversations could be taken from the floor of the Chamber to the cloakrooms.

The Senator from Missouri has the floor.

Mr. PACKWOOD. Those nonprofit organizations that would receive the biggest breaks would be those that have the highest salaried employees. Many of the principal foundations that exist do have people salaried at \$50, \$75, \$100, or, in some cases, \$150,000 a year. The nonprofit organizations that would be the worst off under this are the ones that perhaps middle America is more familiar with—the Goodwills, the Salvation Armies—who generally do not have paid executives in that wage category.

Mr. DANFORTH. Yes. As the Senator is aware, the bill that has been reported out of the Committee on Finance provides for an authorization for an appropriation—nothing more than that—an authorization for an appropriation for some recovery from the Treasury for social security taxes paid by governmental and nonprofit employers. However, that provision that is now in the bill is keyed to the so-called Nelson proposal and would recover 50 percent of the social security tax liability caused by the differential between the employee's wage base and the employer's wage base. Therefore, it would have several things going against it.

One is exactly what the Senator is talking about now: Namely, it would only benefit those employers who pay fairly high salaries.

For example, we canvassed various foundations, and they asked that their names not be used, but they were well known, national eleemosynary foundations with very highly paid professional staffs—people with Ph. D. degrees, and so on, working on their staffs. Under the proposal of Senator NELSON, they would recoup about 17 percent of their social security tax liability; whereas, under the proposal that Senator NELSON has put forward, the Salvation Army, in Washington, D.C., and Virginia and Maryland—this region—would recoup \$7.67.

Mr. PACKWOOD. How much additional tax would they pay?

Mr. DANFORTH. The Salvation Army, in this particular area—Washington, D.C., Virginia, and Maryland—would have a social security tax liability increase of approximately \$13,000 and they would recoup, under his proposal, \$7.67. It is my view, very frankly, that \$7.67 is not adequate; whereas a much higher payment for, say, Brookings Institution or Rockefeller Foundation or Ford Foundation is not as big a problem to them as it is to the Salvation Army or to the Boy Scouts.

The Camp Fire Girls, for example, in this area, would recoup absolutely nothing under the provision that is in the bill now.

Mr. PACKWOOD. I do not mean this in any sense to disparage the Ford Foundations or Rockefeller Foundations of this country, but the very organizations that at least touch great group of middle American taxpayers, touch them every day directly—pick up the old clothes or collect the newspapers—the very organizations the Senator says are going to be hardest hit, are the ones that have the most difficult time raising funds and have to raise them year after year, because they are not endowed; whereas, the well-heeled foundations are endowed foundations that do not have to raise money every year.

Mr. DANFORTH. That is right. The Senator has raised a good point. There are other things that are inadequate in pegging it to the base differential. If we go to the Nelson approach and peg it to the base differential, and, after the Curtis amendment, it seems that is the way we are going—but the way the base differential is set up, it appears that over a period of years, it would phase out so that the amount to be refunded would be declining as the social security tax liability is going up.

The second thing, of course, which is unfortunate about it is that it is keyed to the base differential proposal and, therefore, if it does not survive conference—if the House bill prevails in conference rather than the Nelson proposal—there would be absolutely nothing left.

Finally, it is nothing more than an authorization.

I might say that I intend, if I am successful in my first amendment, which is nothing more, really, than a social security tax rate reduction for this class of employers, it would then be my intention to offer a second amendment which would authorize an appropriation from general revenue into the social security trust funds to recoup the amount of revenue that is lost by this method. But, of course, Members of the Senate, assuming I would prevail on this, would be able to judge that as a separate, entirely different kind of question.

Mr. PACKWOOD. Mr. President, I think the amendment of the Senator from Missouri makes eminent sense. I congratulate the Senator from Missouri on the very, very yeoman, outstanding service he has done in the field of social security. I do not think anybody, in my memory, who has come to this Senate as a freshman has made such a tremendous impact on a subject so critical to America as has the Senator from Missouri on this subject.

Mr. DANFORTH. I thank the Senator very much.

I pointed out earlier that there was one difference between profitmaking employers and not-for-profit employers. That difference, again, was that profit-making employers can recoup a very substantial portion of their social security tax payments from the Treasury by way of deductions from Federal income tax; whereas not-for-profit employers recov-

er nothing. So, when we increase their tax, they are suffering about twice as big a marginal burden as the profitmaking employers were.

I think it is important to point out that there is yet another difference between the profitmaking employers and the not-for-profit employers. That is that the not-for-profit employers and governmental employers have the statutory right to get out of the Social Security System. They can, by filing a notice in a period of 2 years, withdraw from social security. If we place too high an additional burden on them, they will withdraw from social security and the result is going to be counterproductive.

For example, I see the Senator from New York here. New York City, as we know, its various governmental units, filed notice to withdraw and then withdrew their notice. But were New York to withdraw from the Social Security System, the loss to the trust funds between 1978 and 1982 would be an estimated \$3.1 billion. So if we increase the pinch on this group of employers, it is going to be counterproductive as far as the solvency of the trust funds is concerned.

(Mr. SASSER assumed the chair.)

Mr. JAVITS. Will my colleague yield?

Mr. DANFORTH. Yes.

Mr. JAVITS. May I say, it is always refreshing when one begins to realize that New York represents an asset to our country, rather than what some would paint it as being a liability.

But I would like to say to the Senator that having heard him and looked over his amendment very carefully, tested it out with him, and otherwise its basic hypothesis, that I am with him and I shall vote for his amendment.

I think he is rendering us all a very constructive service in the way in which he has so thoroughly and brilliantly prepared his case and presented it to the Senate.

Mr. DANFORTH. I thank the Senator very much.

I know that the Senator from New York privately asked me about the number of governmental units and employees participating in this. I do not know the answer to that. But I do know this, that because of the opting out possibilities of both State and local governments and not-for-profit organizations, and because of increased social security tax liabilities that we have already experienced, there have been a large number of governmental units, and a large number of employees represented by those units, that in recent years have been withdrawn from the social security system.

In 1977, in this present year, the Social Security Administration estimates that 147 State and local governments with 26,121 employees will terminate their social security coverage in 1977, and an additional 219 governmental units with 81,534 employees have filed notice to withdraw in 1978 and 1979.

As far as the problem of social security, when one withdraws the number of employees and employers who are contributing to the system, it impairs the solvency of the system.

Mr. JAVITS. I thank my colleague.

Mr. BENTSEN. Will the Senator yield for a unanimous-consent request?

Mr. DANFORTH. Certainly.

Mr. BENTSEN. Mr. President, I ask unanimous consent that Steve Sacher of Senator WILLIAMS staff and David Allen of my staff be granted privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I ask the same request for Don Zimmerman of the Human Resources Committee staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. DANFORTH. Mr. President, it seems to me that our role here in Washington is to try to be helpful to those governmental agencies and social service agencies throughout the country that provide meaningful services to the American people. Our role in Washington should not be to create emergencies for local government and emergencies for not-for-profit organizations and then rush in at some later date with emergency cash in order to bail them out, with all of the conditions and strings that so often are attached to that kind of a bailout situation.

Therefore, it seems to me for the sake of the health of what is going on in the rest of the country, for the sake of the health of communities all over America, we simply cannot deal them the kind of blow that we are dealing them, not just by this bill, but by changes in programs, by the law, without cushioning the blow just a little bit. What I would like to do is cushion that blow.

UP AMENDMENT NO. 1042

(SUBSEQUENTLY NUMBERED AMENDMENT NO. 1015)

(Purpose: To reduce the employment tax on States and nonprofit organizations by 10 percent of the amount of tax which such State or organization would otherwise pay.)

Mr. DANFORTH. Mr. President, for that reason, I send now to the desk an amendment and ask that it be considered forthwith.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Missouri (Mr. DANFORTH), for himself and Messrs. RIBICOFF, ALLEN, ANDERSON, BAKER, DOLE, EAGLETON, FORD, HATFIELD, LAXALT, LUGAR, MATSUNAGA, PACKWOOD, and SCHMITT, proposes an unprinted amendment numbered 1042.

Mr. DANFORTH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out section 106 and insert in lieu thereof the following:

REDUCTION IN TAX FOR CERTAIN PUBLIC AND NONPROFIT EMPLOYEES

SEC. 106. (a) Section 218(e) of the Social Security Act is amended—

(1) by inserting “, subject to the provisions of paragraphs (3), (4), and (5),” after “will pay” in paragraph (1) (A) thereof; and

(2) by adding at the end thereof the following new paragraphs:

“(3) For purposes of paragraph (1) (A)

in determining the amount of taxes which would be imposed—

"(A) for calendar year 1979, the rates of tax under such section 3111 and the contribution and benefit base (as determined under section 230) which would have applied for calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977 shall be applied; and

"(B) for calendar years 1980 and thereafter, the amount determined under paragraph (1)(A) as the taxes which would be imposed by such section 3111 (without regard to the provisions of this paragraph) with respect to such employees shall (except as otherwise provided in paragraph (5)) be reduced by 10 percent.

"(4) Each agreement under this section shall provide that any State whose payments under the agreement are reduced by reason of paragraph (3) or paragraph (5) shall agree to pay (and any such reduction shall be made on the condition that such State pay) to any political subdivision thereof a percentage shall be equal to the percentage of the amount paid by such State under paragraph (1)(A) for which such State was reimbursed by such political subdivision."

"(5) The amount of the reduction resulting from the application of the provisions of subparagraph (B) of paragraph (3) for a calendar year shall not be greater than the lesser of:

"(A) the amount determined under paragraph (1)(A) as the taxes which would be imposed by such section 3111 for such calendar year (without regard to the provisions of paragraph (3)); or

"(B) the amount determined for calendar year 1979 under paragraph (1)(A) as the taxes which would be imposed by such section 3111 for calendar year 1979 (after application of the provisions of subparagraph (A) of paragraph (3)).

(b) Section 3111 of the Internal Revenue Code of 1954 (relating to rate of tax on employers) is amended by adding at the end thereof the following new subsections:

"(c) Certain Nonprofit Employers.—Notwithstanding any other provision of this section, in the case of an organization described in section 501(c)(3) which is exempt from tax under section 501(a) and with respect to which the taxes imposed by this section are paid, the amount of the taxes imposed by this section with respect to employees (other than employees who are primarily employed in connection with one or more unrelated trade or businesses (within the meaning of section 513) of such organization) shall—

"(1) during calendar year 1979, be equal to the amount which would be determined if the rates of tax under section 3111 and the contribution and benefit base (as determined under section 230 of the Social Security Act) which would have applied during calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977; and

"(2) for calendar years 1980 and thereafter, be equal to 90 percent of the amount determined under this section (without regard to the provisions of this subsection)."

(d) Notwithstanding anything herein to the contrary where the amount of taxes imposed under subsection (c)(2) above is less than the amount of taxes paid under subsection (3)(A) above, an organization described in section 501(c)(3) which is exempt from tax under section 501(a) shall pay the lesser of (1) the amount of taxes which would be imposed under this section (without regard to the provisions of subsection (d)(2)).

Mr. DANFORTH. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there

a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DANFORTH. Mr. President, that concludes any comments I have on this amendment for the moment.

I do not know if Senator NELSON would like to offer any comments, or if anyone else would like to offer any comments.

Mr. NELSON. I did not hear the Senator from Missouri.

Mr. DANFORTH. I just sent the amendment to the desk and asked for the yeas and nays. I think I pretty well have made my argument on behalf of the amendment, unless anybody has any questions or would like to express any other views.

Mr. NELSON. Is the Senator expecting the amendment vote this evening?

Mr. DANFORTH. That, to me, is not necessary. I think it is whatever suits the Senator's convenience.

We could have it this evening or we could put it over until tomorrow.

I have some other problems tomorrow morning, but it depends on when we would come in.

I am ready for a vote.

Mr. NELSON. Let me ask the Senator, I am not clear which amendment the Senator has now called up, is it the tax reduction amendment?

Mr. DANFORTH. Yes.

Mr. NELSON. I have not seen that. I do not know how much the reduction is.

Mr. DANFORTH. Ten percent. It accomplishes exactly the same purpose as the amendment offered in the Finance Committee except it is couched in terms of a reduction of the social security tax rates.

Mr. NELSON. Now, it reduces the tax rate. How much does that then cost the fund and how do we restore it?

Mr. DANFORTH. All right. Here is what this amendment does.

First of all, for the year 1979, and the reason for the situation is due to the terms of the Budget Act, but for the year 1979 it would do no more than hold this group of governmental employers and eleemosynary employers harmless from any additional increase in social security tax liability caused by this bill, for 1 year.

Then, beginning in 1980, it would compute the social security tax liability for this group of employers in exactly the same fashion as for the profitmaking employers except that after that percentage tax is computed, there would be a 10-percent reduction in that percentage.

So that if we were to compute the tax rate, just as we would for a profitmaking employer, and then come up with, say, 7 percent, the social security tax applied to this group of employers would be 7 percent, less 10 percent of 7 percent, or it would come out to 6.3 percent.

Then, finally, the amendment provides that in no case will the social security tax liability in future years be less than it was in 1979, or less than the amount that it would be for a profitmaking employer, whichever is less.

So we prefer the situation where there could be any conceivable windfall for any employer.

With respect to the possibility of mak-

ing up the difference, all this amendment does is to provide for those rate reductions.

If the amendment is successful, it is my intention at that time to offer a further amendment which would recoup, by way of transfer from the general fund, an authorization for an appropriation from the general fund of an amount equal to the amount of social security tax revenues lost by the first amendment.

Mr. NELSON. Would that authorization direct that the loss to the fund from the 10-percent reduction in the tax be paid by the general fund directly, then, to the social security fund, to make up the loss?

Mr. DANFORTH. That is right, yes.

Mr. NELSON. So, basically, it is the same as the other Danforth amendment.

Mr. DANFORTH. That is correct.

Mr. NELSON. In terms of cost to the general fund. It is simply a different approach to achieve it.

Mr. DANFORTH. That is correct.

UNANIMOUS-CONSENT AGREEMENT

Mr. ROBERT C. BYRD. Mr. President. I understand that the manager of the bill, Mr. NELSON, will move to table the amendment by Mr. DANFORTH.

I ask unanimous consent that Mr. NELSON be recognized at 9:45 a.m. tomorrow and that, without further debate, he may proceed to move to table the amendment by Mr. DANFORTH.

Mr. NELSON. I would like, some time this evening, 5 minutes or so, to respond to the amendment proposed by the Senator from Missouri.

Mr. DANFORTH. Mr. President, reserving the right to object, if the vote is going to be set for 9:45 a.m. tomorrow and Senator NELSON is going to respond now, I wonder whether it would be possible to hold the vote at, say, 9:55 a.m. and to have 10 minutes of debate before the vote, evenly divided between Senator NELSON and myself.

Mr. ROBERT C. BYRD. I ask unanimous consent that at 9:45 a.m. tomorrow, the Senate resume consideration of the amendment by Mr. DANFORTH; that there be a 10-minute time limitation for debate at that time, to be equally divided between Mr. DANFORTH and Mr. NELSON; and that at 9:55 a.m., Mr. NELSON be recognized to move to table the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that it be in order at this time to order the yeas and nays on the motion which Mr. NELSON will make at 9:55 tomorrow morning to table the Danforth amendment.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask for the yeas and nays on the Senator's motion to table.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Mr. President, the rollcall vote on the motion by Mr. NELSON to table the amendment by Mr.

DANFORTH will begin at 9:55 a.m. tomorrow.

UP AMENDMENT NO. 1043

(SUBSEQUENTLY NUMBERED AMENDMENT NO. 1010)

Mr. MOYNIHAN. Mr. President, I send to the desk an unprinted amendment.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New York (Mr. MOYNIHAN) proposes an unprinted amendment numbered 1043.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out section 305 and insert in lieu thereof the following:

Sec. 305. (a) Section 402(a)(7) of the Social Security Act is amended by striking out "as well as any expenses reasonably attributable to the earning of any such income".

(b) Section 402(a)(8)(A)(ii) of such Act is amended by striking out "the first \$30 of the total of such earned income for such month plus one-third of the remainder of such income for such month" and inserting instead "the first \$30 of the total of such earned income for such month plus an amount equal to any expenses (subject to such reasonable limits as the State shall prescribe) which are for the care of a dependent child and are reasonably attributable to the earning of any such income plus an amount which the State shall establish in lieu of disregarding other expenses reasonably attributable to the earning of any such income (which amount shall be a per centum, applied uniformly throughout the State, of not less than 15 per centum nor more than 25 per centum of the total of such earned income for such month) plus one-third of the remainder of such income after deducting \$30, plus the amount equal to any expenses (subject to the limits prescribed by the States) which are for the care of a dependent child, plus the amount established by the State in lieu of disregarding other expenses reasonably attributable to the earning of such income".

(c) Section 402(a)(8)(D) of such Act is amended by striking out "was in excess of their need" and inserting instead "was in excess of their need (after deducting from such income an amount equal to any expenses, subject to such reasonable limitations as to amount or otherwise as the State shall prescribe, which are for the care of a dependent child and are reasonably attributable to the earning of any such income plus an amount which the State establishes pursuant to subparagraph (A)(ii) of this paragraph in lieu of disregarding other expenses reasonably attributable to the earning of any such income)".

(d) The amendments made by this section shall be effective with respect to payments under section 403 of the Social Security Act for amounts expended during calendar months after September 1977.

The PRESIDING OFFICER. Does the Senator from New York ask unanimous consent to set aside the amendment of the Senator from Missouri, in order that the amendment of the Senator from New York may be considered at this time?

Mr. CURTIS. Mr. President, reserving the right to object, may we hear what the request is?

The PRESIDING OFFICER. The Chair is questioning the Senator from New York as to whether he requests unanimous consent to set aside the pending amendment of the Senator from Missouri, in order that the amendment of the Senator from New York can be considered at this time.

Mr. CURTIS. By being considered at this time, does the Senator mean voted upon?

The PRESIDING OFFICER. No. Just brought up for consideration and discussion at this time.

Mr. CURTIS. The announcement has been confirmed there will be no more votes tonight. If that is not the order of things, I wish to know.

Mr. ROBERT C. BYRD. There might be a voice vote.

Mr. CURTIS. No.

Mr. ROBERT C. BYRD. No. All right.

Mr. CURTIS. Is this the amendment that reduces the recovery of an item in the bill from \$320 million in favor of the Treasury down to about \$117 million or \$118 million?

Mr. MOYNIHAN. The Senator is correct. I believe the figures are \$230 million to \$119 million, and it is my purpose to introduce the administration-backed formula for the earned income disregard as a substitute for that which has been submitted by the Senator from Nebraska.

Mr. CURTIS. I have no objection to discussing it tonight, but I do not want to dispose of it. It is over \$100 million.

With the understanding that there will be no votes tonight, I just feel in fairness to my colleagues as well as the importance of the vote that we should not vote tonight.

Mr. MOYNIHAN. That is an arrangement entirely agreeable with me. I believe that there should be a vote. It need not be a rollcall vote.

But would the majority leader help us here? Would it be possible to have this vote following the vote on the amendment of the Senator from Missouri tomorrow morning?

Mr. ROBERT C. BYRD. Mr. President, the distinguished Senator from New York (Mr. MOYNIHAN) asks whether or not it would be possible to have the vote in relation to his amendment occur immediately following the vote on the tabling motion, and if the tabling motion fails, immediately following the vote, then, of the amendment by Mr. DANFORTH in the morning.

Mr. MOYNIHAN. That is correct, whatever is agreeable to the Senator from Nebraska.

Mr. CURTIS. I wish to be heard on this tomorrow. As I say, it is a \$100-million item, and I will be prepared to state the case against it tomorrow.

Mr. DANFORTH. Mr. President, may I suggest that perhaps this could be considered before my vote rather than afterward?

Mr. ROBERT C. BYRD. Mr. President, I think we had better let well enough alone and leave the amendment of the Senator from Missouri as it now stands. If the Senator wanted to discuss his amendment tonight, no vote would be taken on it tonight.

Mr. MOYNIHAN. That is agreeable to me and we can move forward with the business. I want this statement in the Record.

Mr. ROBERT C. BYRD. Yes.

Is that agreeable that we temporarily lay aside Mr. DANFORTH's amendment for a moment to allow Mr. MOYNIHAN to call up his amendment and discuss it and with the understanding there will be no vote on that amendment tonight?

Mr. CURTIS. And not foreclose discussion of it tomorrow?

Mr. ROBERT C. BYRD. Exactly.

Mr. CURTIS. That is all right.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. I thank the distinguished Senator from Nebraska.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished Senator yield to me without losing his right to the floor?

Mr. MOYNIHAN. With pleasure.

Mr. ROBERT C. BYRD. I thank the Senator.

Mr. President, if I may have the attention of Senators, there are a number of budget waiver resolutions at the desk which have been reported by the Budget Committee this afternoon which would allow and which have relation to certain amendments that Senators want to offer tomorrow or at some point, and the distinguished Senator from South Carolina, who is the acting chairman of the Budget Committee, is here. He is agreeable at this time to our taking up those budget resolutions, and perhaps we could do that with some comments by the Senator from South Carolina; perhaps we could voice vote them singly or en bloc this evening, and we would have that much out of the way for tomorrow.

Will the distinguished Senator from New York allow the Senator from South Carolina to proceed on that basis?

Mr. MOYNIHAN. May I ask how long does the Senator from South Carolina expect to take?

Mr. HOLLINGS. Five minutes.

Mr. MOYNIHAN. Of course, with great pleasure.

Mr. ROBERT C. BYRD. I thank the Senator from New York.

Mr. HOLLINGS. Mr. President, I thank the distinguished leader. We shall move on. We are hopeful that this continuing resolution will be coming over from the House side. We think the SBA emergency loan disaster fund of \$1.4 billion will be in there. If it is in there, we would like to be able to concur or if not at least conclude and send it back to the House before they adjourn. That is one of the things hanging around.

Mr. ROBERT C. BYRD. Still today?

Mr. HOLLINGS. Still today.

Mr. ROBERT C. BYRD. Mr. President, may I have the distinguished minority leader's attention, and still with the indulgence of the Senator from New York, the distinguished Senator from South Carolina has indicated that a continuing resolution is expected, I believe, shortly.

Mr. HOLLINGS. Shortly, that is right.

Mr. ROBERT C. BYRD. From the other body, which has to do with the District of Columbia appropriations bill.

Mr. HOLLINGS. That is right.

Mr. ROBERT C. BYRD. And the Labor-HEW.

Mr. HOLLINGS. And it has to do with the SBA disaster loan fund, \$1.4 billion already approved by both Houses.

Mr. ROBERT C. BYRD. Yes, and the distinguished Senator from South Carolina wants the Senate to stay in until we can receive that continuing resolution which should be coming along shortly. I thought we better notify our respective cloakrooms.

Mr. BAKER. Mr. President, if the majority leader will yield, do we have any idea how long it will be before that happens because I think a number of our people have already gone home?

Mr. HOLLINGS. Unless there is objection I think it is a matter that could be handled by unanimous consent. I will ask the distinguished majority leader, or policy counsel, Mr. Hart, or others, since they are tracking it, do they have any idea. The House is going out tonight. If we get it back I know we can concur in it. We sort of crosswalked it twice today. It is momentarily expected right here.

Mr. BAKER. I think that is the only practical course to follow, and I have no objection.

Mr. ROBERT C. BYRD. Hopefully it can be done by voice vote.

Mr. HOLLINGS. Yes.

Mr. ROBERT C. BYRD. I thank the Senator.

BUDGET WAIVER RESOLUTIONS SUBMITTED RELATING TO THE CONSIDERATION OF H.R. 9346

Mr. HOLLINGS. Mr. President, I ask unanimous consent that we proceed to the consideration to Senate Resolutions 317, 318, 320, and 321, the waiver resolutions referred to the Budget Committee and reported back at the desk without recommendation.

I ask for immediate consideration of those four resolutions and ask unanimous consent that they be considered en bloc.

The PRESIDING OFFICER. Is there objection to the request of the Senator from South Carolina?

Mr. BAKER. Mr. President, if the Senator will yield, reserving the right to object, and the Senator from Kansas shall not object, I did not hear the numbers. Were they Senate Resolutions 317, 318, 320, and 321?

Mr. HOLLINGS. That is right.

Mr. DOLE. That would cover the amendments of the Senator from Kansas, the Senator from Arizona, the Senator from Texas, Senator Tower, and the Senator from Alabama, Senator ALLEN.

Mr. HOLLINGS. That is correct.

Mr. DOLE. I thank the Senator.

Mr. HOLLINGS. Mr. President, I again renew my request.

The PRESIDING OFFICER. Without objection, the resolutions will be considered en bloc.

The resolutions will be stated.

The assistant legislative clerk read as follows:

S. RES. 317

Resolved, That (a) pursuant to Section 303(c) of the Congressional Budget Act of 1974, the provisions of Section 303(a) of such Act are waived with respect to the consideration of an amendment to either H.R. 5322 or H.R. 9346 offered by Senator Dole relating to modifications in the provisions under which benefits for certain persons under title II of the Social Security Act are reduced because of their earnings; and

(b) That waiver of such Section 303(a) is necessary in order to enable the Senate promptly to consider changes in social security financing which are provided for in this amendment to H.R. 5322, in order to assure that the program is adequately funded, and which first become effective in fiscal year 1979.

S. RES. 318

Resolved, That pursuant to section 303(c) of the Congressional Budget Act of 1974, the provisions of section 303(a) of such Act are waived with respect to the consideration of Amendment No. 1541, intended to be offered by Mr. Tower in the nature of a substitute to HR 9346, the Social Security Financing Amendments of 1977. Such waiver is necessary to permit consideration of Amendment No. 1541, which would provide certain modifications in the present Social Security financing system to allow shifting of certain trust funds, modification of the earnings limitation, changes in the dependency test solution, alleviating defective indexing provisions, and establishing an outside commission to consider permanent financing alternatives. The waiver of this section is necessary to enable the Senate to consider promptly changes in the Social Security financing system which are provided for in the bill.

S. RES. 320

Resolved, that (a) pursuant to Section 303(c) of the Congressional Budget Act of 1974, the provisions of Section 303(a) of such Act are waived with respect to the consideration of amendments to either H.R. 5322 or H.R. 9346 offered by Senator Goldwater relating to modifications in the provisions under which benefits for certain persons under Title II of the Social Security Act are reduced because of their earnings; and

(b) that waiver of such Section 303(a) is necessary to enable the Senate promptly to consider changes in Social Security financing which are provided for in these amendments to H.R. 5322 or H.R. 9346 in order to assure that the program is adequately funded in future years.

S. RES. 321

Resolved. That at the end of the bill add the following new section:

"There is hereby allowed to each individual taxpayer who has paid Social Security taxes as an employee, as a deduction from income subject to Federal income taxes an amount equal to 50 per centum of all Social Security taxes paid by such taxpayer in the calendar year 1979 and subsequent years, such deduction to be claimed on the taxpayers' return for the year in which such Social Security taxes are paid. Self-employed taxpayers may deduct 50 per centum of that portion of Social Security taxes paid by them that they would have paid on their earnings if they had been employees."

Mr. HOLLINGS. Mr. President, it is interesting to note that the Budget Committee reported these waiver resolutions back by a vote of seven Senators voting to disapprove and seven Senators voting to approve. It shows the mixed feeling that we have on this particular score.

I happen, as the acting chairman, to appreciate the fact that at least the Senate has adhered to this extent to the budget procedures by being willing to present formal waiver resolutions to be referred to the Budget Committee so that we could at least slow down the process for some 2 days here where if nothing else we have had a little bit of a chance to stem the onrush.

There is no question that my distinguished chairman, who is still bedridden, will be filing a statement if not tomorrow in person at least for the record, and I shall be glad to do it for him, containing a very definite feeling that this is a stinking way to proceed, and he emphasizes that herein that we should have under the Budget Act some 10 days in which to consider these far-reaching spending programs that go into the years by 1982 with an impact of some \$8 billion, one of them, another some \$7 billion, and another a loss, let us say, of \$2.3 billion.

It is very difficult for the Budget Committee, without a committee report from the Committee on Finance, without a particular assessment as to the exact financial impact upon the budget, what it contains or amounts to, and without really due time to hear any witnesses, and then put it into context as to how, if nothing else, by way of priority, where it should be placed or, more specifically, when we come and change a retirement insurance program into an annuity program by eliminating entirely the income tax limitation provisions within social security, then you begin to see the frustration of many of the Members of the Senate on both sides of the aisle.

There is a very strong feeling, a very strong undercurrent, that it should be committed and considered next year. The leadership and the Committee on Finance feel otherwise, and the Budget Committee is trying to do its level best to do a job without becoming too involved with the merits.

So in that context we voted, and it sort of brings up a happy solution. The resolutions can now apparently, by a majority vote, go ahead and be approved. There will be no point of order, and we have made our point as best we can under the circumstances.

Mr. President, the Budget Committee has reported unfavorably on four waiver resolutions which have been submitted to the Budget Committee with respect to the waiver of section 303(A) of the Budget Act to permit consideration of several amendments to be offered by the distinguished Senator from Kansas, Senator DOLE, the distinguished Senator from Texas, Senator TOWER, the distinguished Senator from Arizona, Mr. GOLDWATER, and the distinguished Senator from Alabama, Mr. ALLEN.

Mr. President, I have to make it very clear that any recommendation would not go to the merits of any of these amendments. Indeed, there are members of the committee who would vote in favor of these amendments if they reached the floor. It is the responsibility of the Budget Committee, however, to carefully re-

view any bill, resolution or amendment which would have the effect of increasing or decreasing revenues or providing new budget authority in a year for which the first concurrent resolution on the budget has not been adopted. In each case, these amendments would first become effective in fiscal 1979. The Budget Committee has begun preliminary deliberations on the first budget resolution for fiscal 1979, but that resolution will not be adopted until May 15, 1978.

The Budget Act intended that the Budget Committee and the Congress should have the opportunity to review all spending decisions and all revenue proposals prior to the consideration of legislation which would affect revenues in the new fiscal year. Without this comprehensive review, Mr. President, the Budget Committee and the Congress are left in the unenviable position of having legislation on the books which ties the hands of the committee and the Congress in formulating a comprehensive congressional budget and in setting national priorities.

Mr. President, this, our recommendation, would not be a question of equity or of the Budget Committee acting because it did not endorse the substance of the amendments. This is not the case. This has never been the case. When the Budget Committee acts with respect to waiver requests such as this, we simply look at the overall budget impact and the consequences which may result from action on these amendments. It may be claimed that the Budget Committee would be choosing sides and acting in an unfair manner. Let me be very clear, Mr. President, that is not the case.

Mr. President, as reflected in the tied committee vote the Budget Committee is extremely reluctant to recommend the adoption of resolutions waiving section 303(A) of the Budget Act. One of the major purposes of the Congressional Budget Act was to bring the Federal budget under better control. Through the adoption each year of the first and second concurrent resolution on the budget, Congress sets fiscal policy and national priorities for the fiscal year.

If legislation affecting spending or revenues for a future fiscal year is considered prior to the adoption of the first concurrent resolution on the budget for that year, to that extent Congress loses control of the spending and priority decisions for that year. However, the Budget Act recognized that in some situations it may be appropriate to consider such legislation before the adoption of the first concurrent resolution.

Mr. President, we believe that because of the unusual circumstances presented by this legislation, it is now appropriate for the full Senate to vote on these resolutions.

Mr. McCURE. Mr. President, will the Senator yield?

Mr. HOLLINGS. I yield.

Mr. McCURE. I thank the Senator for yielding.

I take this time only to make one very brief comment. I am not very certain I know what we have done now as a Budget Committee. Under the Budget

Act we are required to make recommendations on waiver resolutions.

When the resolution of waiver comes to the Budget Committee instead of waiving the provisions of the act or failing to, refusing to, waive the provisions of the act, we send a piece of paper back without recommendation. Does that mean the Budget Committee waived the provisions of the act or does it mean the Budget Committee refused to waive the provisions of the act?

It seems to me it does neither. I am not at all certain that the precedent we are establishing, if, indeed, this is any precedent, is superior to the position that might be taken by the Budget Committee to at least say, "This is a unique condition, a unique situation, under which we will waive the provisions because of the unique situation," instead of ducking the issue completely, by saying, "We will return them, but we have neither waived nor refused to waive the provisions of the act."

This is a unique situation, and I hope the Senate and the committee will not regard the action that has been taken by the Budget Committee as a precedent in any way.

I happen to have indicated my approval of the waivers simply because it is a very difficult situation with which the Senate is confronted, and not because I think it is particularly desirable for the Budget Committee to waive the provisions of the act, and I would not have voted that way except in the very unique situation which confronts the Senate on legislation at this time.

I think the people who objected earlier today, among them my very eloquent friend from Kansas, who was very vocal, said that the situation foreclosed any options that the Committee on Finance proposal could be approved under the Budget Act. It had no conflict with the budget resolution, but any of the alternatives to the Committee on Finance action would violate the budget resolution.

For that reason, and that reason alone, I voted to waive the provisions of the Budget Act.

But I cannot imagine what it means when a committee which is called upon to either waive the act or to refuse to waive the act simply returns the waiver resolution with no recommendation. That is not action, in my judgment. It is not discharging the committee responsibility. I hope we have not established any kind of precedent by this action.

The only way in which it can be read is meeting a very, very unique situation on the floor of the Senate in a very pragmatic way.

Mr. DOLE. Mr. President, will the Senator yield?

Mr. HOLLINGS. I yield.

Mr. DOLE. Mr. President, first, I understand the distinguished Senator from Oklahoma (Mr. BELLMON) is on his way to the floor and would like to speak for one moment when he arrives.

The PRESIDING OFFICER. The Senate is not in order. The Senator from Kansas may proceed.

Mr. DOLE. Second, if I can just take

a moment to thank my distinguished colleagues on the Budget Committee, the Senator from Kansas, being a member of the full committee, and also a member of the Committee on Finance, understands the problems the Budget Committee has, and I think probably from a technical standpoint they were absolutely right. But the facts are that in the bill wherein a waiver was granted, it contained a provision much like three of those or at least—yes, about three of those were addressed in this fashion by the Senate Budget Committee.

As the distinguished Senator from Idaho has pointed out, I am not certain as to where we are, but at least we resolved without setting a precedent the problem before the Budget Committee at the immediate time.

I would hope the Senate would approve the resolutions or whatever on a voice vote so we might proceed tomorrow to maybe complete the bill or vote up or down. So I thank my distinguished colleague from South Carolina, and I again suggest that the Senator from Oklahoma should be heard in just a second. He wanted to be here and wanted to be heard for 1 minute.

Mr. McCURE. Mr. President, might I address a parliamentary inquiry to the Chair?

The PRESIDING OFFICER. The Senator will state it.

Mr. McCURE. What is the parliamentary situation? What will the Senate be acting upon if the Senate acts on anything?

The PRESIDING OFFICER. The question is on considering en bloc four budget waiver resolutions.

Mr. McCURE. And the budget waiver resolutions are actions of whom? Are they a Budget Committee waiver?

Mr. HOLLINGS. Mr. President, if I might be recognized—

The PRESIDING OFFICER. These are resolutions which were referred to the Budget Committee and then reported from the Budget Committee without amendment or recommendation.

Mr. HOLLINGS addressed the Chair.

Mr. McCURE. Mr. President, will the Senator withhold for just a moment? I thank the Senator for that courtesy.

I am puzzled because as I read the Budget Act the Budget Committee must waive the provisions, not vote upon or report a resolution of waiver, and that is the reason for my dilemma.

Mr. HOLLINGS. Mr. President, actually the committee can be discharged within 10 days under the Budget Act. So what we have before us are the resolutions of waiver for adoption or rejection by the Senate itself.

With respect to the Budget Committee, it has reported them back without recommendation by a 7-to-7 vote. Now we have it up for consideration by a voice vote. I see my colleague, the Senator from Oklahoma, is now here, and we could at least agree to consider them en bloc, and then I take it those who would be in favor of the waiver would move the adoption, and that would be the way to act because all we can do is waive or just not waive.

Mr. McCURE. Might I just for the

record state the following: The act requires that the reporting committee ask for a waiver where the committee action is that which requires a waiver.

The PRESIDING OFFICER. The Chair will observe that under section 303(c) of the Budget Act, the Budget Committee cannot waive but can only recommend a waiver, and only the full Senate can act and waive the Budget Act.

Mr. McCURE. As I say, the Chair anticipated the wrong question, that where the committee takes action that will require a waiver the committee reports a waiver resolution, and that waiver resolution is referred to the Budget Committee for action, and the Budget Committee would then take action on that waiver resolution by way of agreeing with it or disagreeing with it and, perhaps under the circumstances, reporting it back without recommendation.

This, however, is not committee action which we are asked to act upon, and therefore, there was no resolution of waiver from the committee asking us for a waiver; am I not correct?

The PRESIDING OFFICER. The Senator is correct as to the genesis of the resolutions. They were not reported from standing committees and then referred to the Budget Committee. They were introduced by individual Senators and referred to the Budget Committee, a procedure—

Mr. McCURE. Individual Senators introduced waiver resolutions dealing with individual amendments which they hoped to offer; is that the situation?

The PRESIDING OFFICER. That is correct. There is no provision for it in the Budget Act, but—

Mr. McCURE. Would the Chair repeat that?

The PRESIDING OFFICER. There is no provision for it in the Budget Act, the Chair is advised, but Senators have a generic right to introduce resolutions.

Mr. McCURE. I presume that is, indeed, the situation, though maybe not quite that. The reason why I am concerned about it is that the origin of the resolutions is not provided for by the statute and is not provided for by any of the existing rules of the Senate.

It may, indeed, be a generic right of Senators, but this is a matter of first impression, as I regard it, of the Budget Act, in which, in anticipation of an amendment which might be offered on which a point of order might be raised, we have sent a resolution to the Budget Committee for action before it has ever been presented to the Senate.

I just hope, again, that this entire proceeding may not necessarily be held to be a precedent for all future actions of similar nature, because I am not certain that that is what the Senate wishes to do by way of establishing a precedent on actions that are not covered by the budget law itself.

I am not going to question the action any further than to say it is outside of the statute, and I think we need to be very careful before we establish a precedent of this kind, not only in the origin of the resolution but in the treatment of the resolution, which is not provided for by the act.

It is not the intention of the Senator from Idaho to object to this proceeding, because I believe it is a pragmatic solution to the problem with which the Senate is confronted, and does act with substantial justice to those Senators who have sought and will seek to offer amendments to the pending legislation.

The PRESIDING OFFICER (Mr. METZENBAUM). The Chair wishes to make a statement at this point.

Even though the Budget Act provides special handling for waiver resolutions reported from a standing committee relative to the action of that committee, it does not preclude individual Senators from introducing such resolutions; and since the Budget Act, in another section, specifically section 904, allows a motion to waive to be made by any Senator, the Chair believes it is consistent to permit any Senator to introduce a resolution to waive.

Mr. McCURE. Well, now, I am sorry the Chair decided to make that announcement, because I think that is completely gratuitous, and establishes exactly the thing I was seeking to avoid in terms of a precedent being made for procedures outside of the budget law. It may be something that will work, and it may be the kind of thing that, upon reflection, the Senate will wish to adopt. But the Senator from Idaho was trying to avoid writing into the precedents of the Senate something that is not provided for by the statute but is not objected to by any Member, including the Senator from Idaho.

I hope that we may, indeed, as a Senate, upon some reflection, and as a Budget Committee with some reflection, discuss and determine whether or not this is the procedure which we want followed in the future upon amendments which may be offered in the future by any Member of the Senate.

The PRESIDING OFFICER. The Chair agrees with the Senator that this is totally a matter of the Senate's choice.

Mr. BELLMON. Mr. President, I would like to say for the record that the Senator from Oklahoma voted in favor of these waivers, and I would like to explain briefly my reasons. I would like to say the opinion I am going to give is mine alone, and is not in any way representative of other members of the Budget Committee; and also I would like to say that this is a new matter, and my own ideas on it are subject to change.

I feel that the Budget Committee has a somewhat restricted role as far as waivers are concerned. Realistically, there are some things we can do and some things we cannot do. I believe we can slow down runaway spending legislation, and make certain that the Senate fully understands the impact of what we are doing, that we have fully costed out the various proposals, and that we understand the impact, the effect, and the big word we hear so much now, the macroeconomic impact, so that we know the related economic effect in other areas.

But I doubt that the Senate expects or would long permit the Budget Committee to deny access to the floor to any Senator who has a proposition he might

wish others to consider. So I doubt that it would be possible for the Budget Committee to start denying waivers and make those denials stick. I believe our proper role is the role we have tried to play here today, and that is to slow down these waivers and look at them carefully before anyone realizes their full impact.

I consider this to be a considerable contribution. It is a great improvement over the past, when multibillion-dollar amendments could be brought up on a moment's notice without prior warning, without any chance for costing to take place, and written into bills without anyone having an opportunity to understand their full impact.

The process is new. We may find that the role of the Budget Committee is considerably different than I have described it, but I feel we have met our responsibility in bringing the waivers back to the floor for the Senate's action.

Mr. ALLEN. Mr. President, I move that the resolutions be agreed to, and I ask unanimous consent that they be considered en bloc.

The PRESIDING OFFICER. The resolutions are, by previous agreement, being considered en bloc.

Mr. ALLEN. I move that the resolutions be agreed to.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Alabama.

The motion was agreed to.

The PRESIDING OFFICER. The resolutions are agreed to en bloc.

Mr. LONG. I move to reconsider the vote by which the motion was agreed to.

Mr. ALLEN. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

Mr. DOLE. Mr. President, I wonder if, with the concurrence of the distinguished Senator from New York (Mr. MOYNIHAN), we might have unanimous consent to proceed for 3 minutes with another amendment.

Mr. MOYNIHAN. I am happy to yield for that purpose.

The PRESIDING OFFICER. Is there objection to the temporarily laying aside the amendment of the Senator from New York for the purpose of calling up other amendments? Without objection, it is so ordered.

UP AMENDMENT NO. 1044

(Purpose: To clarify the tax liabilities of certain non-profit organization.)

Mr. DOLE. Mr. President, I send to the desk an unprinted amendment in behalf of myself and the Senator from Maryland (Mr. SARBANES), and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

The Senator from KANSAS (Mr. DOLE), for himself and Mr. SARBANES, proposes an unprinted amendment numbered 1044.

The amendment is as follows:

At an appropriate place, insert the following:

"Section 3121(k)(4)(B) of the Internal Revenue Code of 1954 (relating to the period of not less than three calendar quarters during which taxes imposed by sections 3101 and 3111 were paid) is amended by deleting the period at the end thereof and inserting in lieu thereof:

"(iii) ' , or if the organization, prior to the end of the period referred to in clause (ii) of such subparagraph, had applied for a ruling or determination letter acknowledging it to be exempt from income tax under section 501(c)(3), and it subsequently received such ruling or determination letter and did not pay any taxes under sections 3101 and 3111 with respect to any employee with respect to any quarter ending after the twelfth month following the date of mailing of such ruling or determination letter and did not pay any such taxes with respect to any quarter beginning after the later of (I) December 31, 1975 or (II) the date on which such ruling or determination letter was issued."

Mr. DOLE. I might say very quickly, Mr. President, that this amendment has been discussed by myself and the distinguished Senator from Maryland (Mr. SARBANES) with both the minority and majority side.

This is a technical amendment to clarify certain tax liabilities of a few tax-exempt organizations. All organizations which qualify under section 501(c)(3) for tax exemptions are also exempt from payment of FICA—social security—taxes unless they waive that privilege. This ability to waive the tax immunity has created an unfortunate situation for a few charitable organizations.

In the past, some 501(c)(3) organizations paid FICA taxes and inadvertently did not file a waiver. To help them, Congress passed Public Law 94-563 which provided that if an organization paid FICA taxes for three quarters, a waiver of its FICA exemption would be implied. This law applied to all tax-exempt organizations, regardless of when they received their tax exemption.

AMENDMENT IS STRICTLY LIMITED

My amendment only concerns those organizations which had applied for but not received their tax exemption. These organizations were obligated by law to pay FICA taxes until given a tax-exempt for the FICA taxes paid during the interim were then refunded by the IRS. The problem for these groups only arose after Public Law 94-563 was enacted.

Although these groups had no intention of waiving their tax exemption, a waiver is still implied by Public Law 94-563. These organizations would thus be liable for years of FICA taxes. Payment could bankrupt them.

CONSISTENT WITH CONGRESSIONAL INTENT

The original reason for exempting charitable organizations from FICA taxes was to free more money to be spent on their charitable and educational projects. My amendment would preserve this FICA exemption privilege for those organizations which desire it.

If any group that had a tax exemption pending truly intended to waive its FICA exemption, my amendment would not prevent them from filing a waiver. The

only impact of this amendment would be on those few groups who inadvertently lost their FICA exemption and are faced with back taxes.

Mr. President, I believe that my amendment is in keeping with the intent of Congress to exempt charitable organizations from the obligations of paying FICA taxes. Now is the proper time for Congress to correct the mistake it made in Public Law 94-563 and I urge the adoption of my amendment.

The amendment relieves certain non-profit organizations from being adversely affected by Public Law 94-563. It is the responsibility of the affected organizations to apply to IRS for reopening of their cases under this amendment. No obligation is placed on IRS to reopen such cases on its own motion.

Mr. President, I hope the amendment will be accepted.

Mr. LONG. Has the Senator's amendment been agreed to?

Mr. DOLE. I am waiting to see if the amendment is agreed to.

Mr. LONG. I have no objection.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

UP AMENDMENT NO. 1045

Purpose: To provide coverage for policemen and firemen in Mississippi.

Mr. LONG. On behalf of the two Senators from Mississippi, Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Louisiana (Mr. LONG), for himself Mr. EASTLAND and Mr. STENNIS, proposes an unprinted amendment numbered 1045.

Mr. LONG. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place insert the following new section:

COVERAGE FOR POLICEMEN AND FIREMEN IN MISSISSIPPI

SEC. 130. Section 218(p)(1) of the Social Security Act is amended by inserting "Mississippi," after "Maryland."

Mr. LONG. Mr. President, this language is in the House bill and it would permit certain policemen and firemen in the State of Mississippi to have the same election which has been provided in 21 other States and the Commonwealth of Puerto Rico. I see no objection to it.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. PELL. Mr. President, I am pleased to join today with my colleagues to urge the Senate to accept an amendment to the social security bill to reextend the Federal supplemental benefits (FSB) unemployment insurance program.

This program provides 13 additional weeks of unemployment compensation benefits to unemployed workers who have exhausted their initial 39 weeks of such benefits. This section of the law expired last week, and I believe that pres-

ent economic conditions cry out for it to be extended.

My State of Rhode Island is one State where this legislation will have an immediate and critically important impact. In addition, as the winter inevitably causes some work stoppages and some increases in unemployment along with fewer new job openings, the present need for this program will actually increase.

Right now, about 300 Rhode Islanders per week apply for benefits under the FSB program. If this program is reextended, it could mean that as many as 1,200 unemployed workers per month could begin these necessary benefits, and if the program is extended for 6 months as in our proposal, then 7,200 workers and their families could participate in its benefits.

I urge my colleagues to support and vote for this important program. Our national economy is simply not producing enough new jobs quickly enough for us to let this program fade away. It provides a minimal, but vital level of assistance to unemployed workers, and it deserves a renewal for another 6 months.

Mr. MOYNIHAN. Mr. President, the subject before us today is the future financing of the social security system. But it is inseparable from another set of profound social policy issues that are also embedded in the Social Security Act: those associated with aid to families with dependent children, and with President Carter's far-reaching proposal to reform that program as well as a number of other public assistance programs.

On September 12, I introduced S. 2084, the program for better jobs and income, on behalf of the Carter administration. I stated at the time, as I had when the President first announced it in August, that I agreed with its general goals and directions. I said that, "The President has, as he pledged, undertaken the great task of making this Nation's welfare system more rational, equitable, and humane, and has done so with vigor and good faith, mindful of the general proposition that most people do, can, and ought to work for their livings." "The fundamental assumptions behind the plan," I added, "are clearly praiseworthy: the concept of a national floor under cash benefits, paid for by the National Government; the attention to improved financial incentives for work; the provision of income supplementation for the 'working poor' and the conscientious effort to relieve some of the fiscal burden now borne by State and local taxpayers, particularly in those jurisdictions that have historically been most generous toward their least fortunate residents."

As we set about examining the specific legislative language of the bill, and as reactions and analyses began to flood in from many quarters, one difficulty with this proposed legislation was obvious above all others: the proposition that States and localities must wait 3 years, until the reformed welfare system was fully in operation, before realizing any of the fiscal relief that they so urgently need.

Meanwhile, in the context of another piece of legislation, the Committee on

Finance had responded to my fervent pleas for some immediate fiscal relief for hard-pressed States and localities. I asked for \$1 billion, spread over 2 years, with actual State receipts in the second of those years linked to improvement in their welfare error rates.

This proposal was warmly endorsed by the Governors, by the mayors, by the county officials, and by others troubled by the heavy fiscal burden that soaring welfare costs were imposing on our State and local governments. They also urged the administration to embrace the idea of interim fiscal relief within its welfare reform plan.

On Tuesday, that happened. In a splendid decision, President Carter added greatly to the momentum for passage of his welfare reform bill in the next session of Congress by agreeing to link welfare reform to interim fiscal relief for States and localities. Indeed, he and Secretary Califano agreed to go further than we had initially proposed, and to endorse the prospect of fiscal relief in all 3 years between now and the implementation of the administration's comprehensive welfare reform plan.

The second and third installments of that interim fiscal relief will come before us later, in the form of modifications to the President's welfare reform bill now before the committees. The first installment, however, is before us today, as an integral element of the social security financing bill reported by the Committee on Finance. It provides \$374 million to States and localities in fiscal year 1978, which began 1 month ago, distributed according to a formula that the Finance Committee developed, and that the administration has agreed to, under which half of each State's allocation is based on its AFDC expenditures and half is based on the formula of the general revenue sharing program. There is a further provision that these funds be "passed through" to local governments in those States where the localities share in the costs of aid to families with dependent children.

This is a reasonable amount. While it represents only a modest fraction of current outlays in this multibillion-dollar enterprise, it will confer real and substantial benefit in the current year on every one of the 50 States. And, just as importantly, it will serve as an earnest of our commitment to genuine welfare reform, and to the sizable amounts of fiscal relief that must be part of any genuine welfare reform plan.

The Committee on Finance had also proposed some other interim modifications to the current welfare system, based on the committee's strong belief that the prospect of comprehensive reform 3 years hence did not obviate the need for some easily implemented improvements in the present, jerry-built programs. Accordingly, and again with the full support of the Carter administration, three such improvements are also before us today as part of the committee's bill. A bit later, I will speak to a fourth provision, which must be altered slightly before it is entirely agreeable to the administration.

First, the States are authorized to conduct limited work demonstration projects as part of their AFDC programs. Up to three such projects can be undertaken by any jurisdiction wishing to do so. States desiring to conduct such programs must first submit them to the Secretary of HEW, who will have 45 days to consider them. If not disapproved by him in that time, the State can put its plans into effect. It is important to note that participation in such programs will be entirely voluntary from the standpoint of the individual welfare recipient.

Second, the States will be given access to social security wage records, and to unemployment insurance records, for purposes of verifying the eligibility of welfare applicants. This access will be strictly limited to the purposes of verification, and will be supervised by the Secretary of HEW. I would note that many States have been seeking this access for years. In New York, for example, State officials estimate that as much as \$100 million a year may be saved by allowing the welfare agencies to consult these records as part of their review of individual applications.

Third, because a high "error rate" has been a persistent problem in the AFDC program, States will be given modest financial incentives to bring their error rates below 4 percent per annum.

The Committee on Finance, and the administration, all look upon these provisions as a "package" providing fiscal relief on the one hand and, on the other, a trio of modifications to the current AFDC program designed to make it more efficient, economical, and effective.

I cannot close these brief comments without remarking once again on the splendid boost we are now in a position to be able to give to the concept of welfare reform. While more than fiscal relief and minor program modifications are obviously required, passage of the measure before us today will signal to the entire Nation our commitment to serious reform of a system that is widely—and accurately—regarded as costly, inequitable, and confusing.

Mr. BAKER. Mr. President, Senate consideration of legislation to remedy the financing difficulties confronting the social security system is overdue, and I am pleased that we are now addressing the need to take action to insure the future fiscal stability of the system.

Since its inception, social security has evolved into a comprehensive retirement, disability, and survivors' insurance system which reaches almost every American family. While the system has its weaknesses, its mandatory nature and almost universal coverage has made it possible to provide a level of social insurance to millions which relatively few would be able to obtain for themselves. To fail to assure adequate future financing would be devastating, not only to the 33 million Americans who now rely upon social security benefits, but also to the more than 100 million now paying into the program.

The deficit facing the social security trust funds, which is calculated to be about 8.2 percent of payroll over the next

75 years, is the result of a combination of factors. About half of the deficit is the result of a defect in the formula for computing benefit increases which has resulted in benefits rising at a faster rate than wages. This flaw can be corrected by indexing future benefits to wages, as recommended by the Committee on Finance, in order to insure that the ratio of benefits to wages before retirement remains about the same. Other factors affecting the financing problem are the loss of revenues to the trust funds as a result of recent high rates of unemployment and the declining birthrate, which produces fewer workers entering into the system. In addition, the number of disability beneficiaries has increased by 1 million since 1972—an increase unanticipated by the Congress and one which is expected to deplete the Disability Trust Fund by 1979.

While the problems associated with the disability insurance program are not addressed in the legislation before us today, I was pleased to learn that the House Subcommittee on Social Security plans to review the program next year as phase II of the social security issue. I hope that this body will also examine the causes of the large increases in disability claims and devise solutions wherever possible.

The range of options available to us to respond to these problems is limited and, as is so often the case, none of them is perfect. One alternative, which has been recommended by President Carter, is to rely upon infusions of general revenues in order to make up part of the deficit. There are two strong arguments against this recommendation, however, which have persuaded me that the President's proposal would be ill-advised. First, relying upon general revenues will erode the "earned-right" nature of the social security system—an aspect of the program which, in my view, accounts in large part for the overwhelming public support the program has received throughout the years.

Secondly, when the financing of benefits is not directly dependent upon tax contributions of employers and employees the pressures upon Congress to further expand benefit levels and eligibility will become even more severe than they now are.

A second alternative, and one which has been rejected by the House, would be to gradually increase the retirement age to 68. While I am aware that life expectancy for Americans has improved since the retirement age of 65 was first established, it is my view that it would be a serious breach of faith for the Congress to reduce what for many elderly Americans is a very short period of retirement after long years of labor. For this reason, I have also rejected this option for coping with the deficit.

Our remaining alternative, Mr. President, is to continue to rely upon the traditional method of financing the system through employer and employee taxes. After reviewing the problems confronting us, I have concluded that this is the most realistic means of insuring the sol-

veny of the social security program and protecting the rights of future beneficiaries.

In arriving at the combination of wage-base and tax-rate increases which will be necessary to accomplish that goal I hope that we will refrain from the temptation of placing a disproportionate share of the tax burden upon middle-income wage earners who are already laboring under the severe effect of inflation on income tax rates. In addition, I would caution against deviating from the traditional parity which has been maintained between taxes on employers and employees by mandating heavy tax increases for employers. While the full economic effects of any tax increase cannot be predicted with complete accuracy, it seems clear that employers will not magically absorb such taxes but will pass them on to employees by cutting back on their labor force and on wages and benefits. Moreover, I fear that proposals to eliminate the wage base upon which employers pay social security taxes will bring on a new round of financing difficulties in future years as benefits, which are calculated upon employees' earnings subject to the tax, rise along with the wage base.

There is no doubt, Mr. President, that any increase in the social security tax will take its toll upon all workers now contributing to the system and that, depending upon how it is designed, it will affect some workers more than others. I see no choice for us, however, but to approve such an increase, for the alternative would be to abandon a program that is literally vital to millions. Accepting this fact, I believe that we can best serve the needs of the Nation by fashioning a measure which will distribute the burden as equitably as possible among classes of wage earners and employers.

As part of this effort, Mr. President, we have an opportunity to remedy some of the inequities which currently exist in the program. I am pleased that the Finance Committee has recommended increasing the earnings limitation on retirees under the age of 72. I have long supported such an increase, and I hope that we will be able to remove the limitation entirely for those who continue to work after retirement.

In addition, I support the changes which the committee has recommended to alter those aspects of the program which discriminate on the basis of sex, including those changes which have been mandated by recent Supreme Court decisions.

One of the most heatedly argued issues which has been raised in connection with the social security debate this year has been whether or not Congress should require coverage of Federal employees under the social security system. The civil service retirement system, which is mandatory for all but a few Federal employees, varies from social security in many ways—including the fact that Federal employees pay a larger tax on a larger portion of their income in order to receive higher benefits.

Thousands of retired employees, as well as those now working for the Government, rely upon this program as their sole source of retirement income. To

mandate coverage of these employees under social security by a certain date without a more thorough examination than has yet been made of how the two systems would mesh would do an injustice to Federal employees, and I would oppose such proposals. If the Congress should determine that it is best to bring Federal employees into the social security program, then we should take whatever action is necessary to review the two systems and devise a method of combining them which will assure Federal employees that they will not be deprived of the retirement benefits which they have earned.

Mr. President, this legislation is one of the most complex measures which the Senate has considered this year and these remarks have touched upon only a few of the many issues which will be raised during discussion of the bill and amendments to be offered on the floor. I hope that, in the course of this debate, we will bear in mind the far-reaching impact of the actions we take today, as well as the need to restore public confidence in the social security system.

**SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977**

The Senate continued with the consideration of H.R. 9346.

Mr. ROBERT C. BYRD. Mr. President, the first vote will occur tomorrow morning at 9:55 a.m.

SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977

The ACTING PRESIDENT pro tempore. The hour of 9:45 having arrived, the Senate will proceed to the unfinished business which the clerk will state.

The assistant legislative clerk read as follows:

A bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954, to strengthen the financing of the social security system, and so forth, and for other purposes.

The Senate resumed the consideration of the bill.

AMENDMENT NO. 1615

The ACTING PRESIDENT pro tempore. The Senator from Missouri.

Mr. DANFORTH. Mr. President, I yield myself 3 minutes.

The ACTING PRESIDENT pro tempore. The Senator from Missouri is recognized for 3 minutes.

Mr. DANFORTH. Mr. President, the basic point, the only point of this amendment is to cushion the blow of programmed increases in social security tax liability for State and local government and for not-for-profit organizations.

This amendment will not provide a windfall to anyone. No employer by virtue of this amendment will be paying less social security taxes in 1979 than today; no employer under this amendment will be paying less social security taxes in 1980 than in 1979.

The problem is that, by virtue of the bill that is now before us in whatever form it eventually comes out and by virtue of increases in social security tax liability already programmed in the law, State and local governments and not-for-profit organizations are going to experience a tremendous increase in social security tax liability over the next decade and beyond.

As a matter of fact, if we do absolutely nothing, if we do not adopt this amendment under the bill before us with the

increases already programed in the law. State and local governments and nonprofit organizations will experience a 227-percent increase in social security tax liability by the year 1987.

That is just too much. Even under this amendment, if adopted, the increase in social security tax liability for this group of employers will be 197 percent. So we are just talking about a little cushion from that tremendous blow.

My point is simply that the American people rely on State government, local government, the United Way, the Salvation Army, the Boy Scouts, and so on, to deliver meaningful services in their community, and to the extent that we deal a substantial economic blow to this class of employers we are going to make it difficult if not impossible for them to provide the services for the American people that the people of our country demand and need.

I reserve the remainder of my time.

The ACTING PRESIDENT pro tempore. The Senator from Wisconsin.

Mr. NELSON. Mr. President, this proposal, or the essence of it, was discussed on a previous day, so I shall attempt to avoid being repetitious about all that was said. I will only comment on the major points.

The essence of this proposal is that for the first time general fund moneys will be used for the purpose of supporting the social security system.

That may or may not be a good idea, depending upon one's viewpoint. There are those who believe there ought to be a direct infusion of general fund moneys into the social security system, and there are those who strongly argue against it; both of them have defensible arguments from their own standpoints.

This proposal, however, would have the effect of refunding from the general fund 10 percent of all social security taxes paid by all States and all municipalities, public and private colleges, and other charitable institutions. The cost of this amendment starts at about a billion dollars a year, and during the period between now and 1987, the total cost will be \$14 billion. In 1987, the cost will be a little more than \$2 billion a year. By the year 1990, there will be a \$20 billion infusion of general fund money into the social security system, which is nothing more than a revenue-sharing concept.

Even if one does believe that general fund moneys should be infused into the social security system directly, the question is whether this is the way to do it. The general fund of the United States is supported by exactly the same taxpayers who pay the social security for the States, the municipalities, and the public colleges. So taxpayers who are paying money into the general fund will support the States, municipalities, and other nonprofit organizations who will receive a reduction in their social security tax payments.

If I were to support, at this stage, the concept of using general fund moneys, it would not be my view that this is the best way to do it. In any case, I am not prepared to support the concept at this time. The general fund money that goes back to the municipalities, running at a

level of \$2 billion a year by 1987, does not increase the benefits of a single retiree in this country. It is a revenue sharing plan so far as the municipalities and States are concerned.

We now have a general revenue sharing plan which is pending \$6 billion a year in general revenues back to the municipalities and the States. Do we want to add to that general revenue sharing plan at this time, in this social security bill?

The Finance Committee proposal pending before the Senate authorizes all eligible employers—the States, municipalities, charitable organizations, and private colleges—to get a refund to 50 percent of the excess that they pay on the employee's base over what the employee pays. That authorization will phase out in 25 years as the base of the employee rises—

The ACTING PRESIDENT pro tempore. The Senator's 5 minutes have expired.

Mr. NELSON [continuing]. And equals that of the employer. So I think it is a mistake to use general fund moneys at this time for this purpose.

Mr. President, how much time does the Senator from Missouri have?

The ACTING PRESIDENT pro tempore. Two minutes.

Mr. NELSON. I believe it was understood that we would delay the rollcall for 5 or 10 minutes from the time set by the unanimous consent agreement yesterday. Was that correct?

Mr. DANFORTH. I think there was supposed to be, at 5 minutes to 10, a vote on the motion to table.

The ACTING PRESIDENT pro tempore. The Senator is correct.

Mr. NELSON. As I recall, Senator MOYNIHAN had asked whether we could extend that time until 10 o'clock or something, and he discussed that request with the Senator from Missouri, did he not?

Mr. DANFORTH. Mr. President, reserving the right to object, I would like to clear this with the minority leader. It is my understanding—you want to do what?

Mr. NELSON. If the Senator will recall, Senator MOYNIHAN asked for a 5- or 10-minute delay in the vote, and I believe he discussed it with the Senator from Missouri yesterday.

Mr. DANFORTH. Yes. Further reserving the right to object, I did discuss that, his request, with Senator CRANSTON and Senator ROBERT C. BYRD, and they told me that they wanted to go ahead with the vote at 5 minutes until 10. It is immaterial to me, but that was their statement yesterday.

Mr. NELSON. Before the minority leader came in, we were discussing that we have a unanimous-consent agreement to vote at 5 minutes to 10. Senator MOYNIHAN had delayed taking up his proposal to set aside the Danforth proposal, and discovered that, in going to New York and catching his plane back, he would need to have another 5 minutes. I wonder if the minority leader would agree to that.

Mr. BAKER. Mr. President, I have no objection to that. There will be no objec-

tion on this side if it is satisfactory to the Senator from Missouri. Until what time is that?

Mr. NELSON. Five after 10.

Mr. BAKER. Make it 5 after 10.

Mr. DANFORTH. That is satisfactory to me. However, I do not think it is satisfactory to the majority leader.

Mr. BAKER. The distinguished Senator from West Virginia, the majority leader, has constructed a pretty precise schedule of voting. If it is suitable to him, it is certainly suitable to me.

Mr. DANFORTH. Mr. President, may I now be recognized for 2 minutes?

The ACTING PRESIDENT pro tempore. The time of the Senator from Missouri has expired pursuant to the previous order.

UP AMENDMENT NO. 1050

Mr. DANFORTH. Mr. President, I ask unanimous consent that I may now send to the desk my amendment with certain modifications, which have been checked with the staff of the Senator from Wisconsin, and that the amendment as presently sent to the desk might be the one to be voted on.

The ACTING PRESIDENT pro tempore. Is there objection?

Mr. NELSON. May I ask, what is the request?

The ACTING PRESIDENT pro tempore. There is a unanimous-consent request propounded by the Senator from Missouri to modify his amendment.

Mr. DANFORTH. It is technical corrections, and it has been cleared with the Senator's staff.

Mr. NELSON. I understand. Does anyone object?

The ACTING PRESIDENT pro tempore. Is there objection to the modification of the amendment? The Chair hearing none, the amendment will be so modified.

The amendment as modified is as follows:

Strike out section 106 and insert in lieu thereof the following:

REDUCTION IN TAX FOR CERTAIN PUBLIC AND NONPROFIT EMPLOYEES

SEC. 106. (a) Section 218 (e) of the Social Security Act is amended—

(1) by inserting "subject to the provisions of paragraphs (3), (4), and (5)," after "will pay" in paragraph (1) (A) thereof; and

(2) by adding at the end thereof the following new paragraphs:

"(3) For purposes of paragraph (1) (A) in determining the amount of taxes which would be imposed—

"(A) for calendar year 1979, the rates of tax under such section 3111 and the contribution and benefit base (as determined under section 230) which would have applied for calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977 shall be applied; and

"(B) for calendar years 1980 and thereafter, the amount determined under paragraph (1) (A) as the taxes which would be imposed by such section 3111 (without regard to the provisions of this paragraph) with respect to such employees shall (except as otherwise provided in paragraph (5)) be reduced by 10 percent.

"(4) Each agreement under this section shall provide that any State whose payments under the agreement are reduced by reason of paragraph (3) or paragraph (5) shall agree to pay (and any such reduction shall

be made on the condition that such State pay) to any political subdivision thereof a percentage of the aggregate amount of such reduction which percentage shall be equal to the percentage of the amount paid by such State under paragraph (1)(A) for which such State was reimbursed by such political subdivision."

"(5) The amount of the taxes which would be imposed by such section 3111 for a calendar year (taking into account the provision of paragraph (3)) shall not be less than the lesser of

"(A) the amount determined under paragraph (1)(A) as the taxes which would be imposed by such section 3111 for such calendar year (without regard to the provisions of paragraph (3)); or

"(B) the amount determined for calendar year 1979 under paragraph (1)(A) as the taxes which would be imposed by such section 3111 for calendar year 1979 (after application of the provisions of subparagraph (A) of paragraph (3)).

(b) Section 3111 of the Internal Revenue Code of 1954 (relating to rate of tax on employers) is amended by adding at the end thereof the following new subsections:

"(c) Certain Nonprofit Employers.—Notwithstanding any other provision of this section, in the case of an organization described in section 501(c)(3) which is exempt from tax under section 501(a) and with respect to which the taxes imposed by this section are paid, the amount of the taxes imposed by this section with respect to employees (other than employees who are primarily employed in connection with one or more unrelated trade or businesses (within the meaning of section 513) of such organization) shall—

"(1) during calendar year 1979, be equal to the amount which would be determined if the rates of tax under section 3111 and the contribution and benefit base (as determined under section 230 of the Social Security Act) which would have applied during calendar year 1979 under the law in effect immediately before the enactment of the Social Security Amendments of 1977; and

"(2) for the calendar years 1980 and thereafter, be equal to 90 percent of the amount determined under this section (without regard to the provisions of this subsection)."

(d) Notwithstanding anything herein to the contrary where the amount of taxes imposed under subsection (c)(2) above is less than the amount of taxes paid under subsection (c)(1) above, an organization described in section 501(c)(3) which is exempt from tax under section 501(a) shall pay the lesser of (1) the amount of taxes which would be imposed under this section (without regard to the provisions of subsection (d)(2)).

Mr. NELSON. I ask unanimous consent that the agreement reached yesterday for the Senator from Wisconsin to have the floor to make a motion to table be postponed for 7 minutes, until 5 minutes after 10.

The ACTING PRESIDENT pro tempore. Is there objection?

Mr. BAKER. Mr. President, reserving the right to object, and I will not, I understand the majority leader has now indicated he has no objection. Is that correct?

Mr. NELSON. Yes.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered.

Mr. DANFORTH. Mr. President, I ask unanimous consent that the remaining 7 minutes be divided as follows: I would like my 2 minutes originally agreed to,

and then that the remaining 5 minutes be equally divided.

The ACTING PRESIDENT pro tempore. Without objection, it is so ordered. The Senator from Missouri is recognized for 2 minutes.

Mr. DANFORTH. Mr. President, I would simply like to respond to the comments of the Senator from Wisconsin that his amendment does not call for any disbursement from the general fund to the social security trust fund. My original amendment did, but in order to satisfy the Budget Committee, I transformed this amendment to a simple rate reduction for this group of employers.

If successful with this amendment, I will then move into phase 2, which will be an amendment which would authorize a transfer from the general fund to the social security trust fund in an amount equal to the revenue loss as a result of the amendment which is currently pending. However, this amendment does not cause any draw on the general fund at all.

The Senator from Wisconsin (Mr. NELSON) is correct in saying that he also has a version of a proposal to provide some relief for State and local governments and not-for-profit employers. I have carefully considered his version. I think it is inadequate for at least three reasons.

One reason is that it would benefit only those employers who have fairly high-salaried personnel, which would be professional not-for-profit organizations such as, for example, foundations like the Rockefeller Foundation and the Ford Foundation.

They would have a very substantial windfall as a result of the proposal which is now in the bill. However, the Salvation Army in Washington, D.C., would only receive \$7.67 back in 1979 under Senator NELSON's proposal.

I think the amendment which is now before us, if we really want to do something to cushion the blow for this group of employers, is the one which is fairest and most equitable and treats all alike, and which gives the greatest relief to that group of employers that really can stand the relief. They are the community-based organizations, such as the Girl Scouts, Boy Scouts, Salvation Army, local school districts, and the like, which do not have the extremely high level of salaries which would be benefited by the proposal of Senator NELSON. I reserve the remainder of my time.

Mr. NELSON. Mr. President, first of all what could be said about the proposal has now been said. I did not mean to imply that this proposal encompassed the Senator's general fund proposal. But it is my understanding that if the Senator prevailed, he would seek to fund the liability in the social security trust fund out of the general fund.

In principle, it is the same as the Senator's original proposal—to give eligible employers refundable tax credit of 10 percent for their total social security liabilities from the general fund.

I would make just one other point I have neglected to make in the past. That is that 30 percent of all the municipal-

ities and States in this country are not covered by social security. So this general fund revenue-sharing program will only be giving back to those States and municipalities which are under social security, 10 percent of what they paid; but, those States and those municipalities which have their own pension plan for their employees will get nothing back. So this refund discriminates against a substantial number of municipalities, State governments, as well as others who are not covered by social security.

Mr. President, this amendment will cost \$2 billion a year by 1987; the cost starts out at \$1 billion a year in 1979. General fund moneys have to be paid by levying taxes on the same taxpayers who are paying the taxes for social security in the States and municipalities anyway. It is a reshuffling of funds and a dip into the general fund without having any hearings as to whether this is what we ought to do and, if it is, whether this is the best way to do it.

The ACTING PRESIDENT pro tempore. The Senator's time has expired. The Senator from Missouri has 1 minute remaining.

Mr. DANFORTH. Mr. President, unless Senator RUBICOFF, who is a cosponsor, has something to add, I yield back the remainder of my time.

Mr. NELSON. Has all time been used up?

The ACTING PRESIDENT pro tempore. The Senator is correct.

Mr. NELSON. Mr. President, I move to table the amendment and I ask for the yeas and nays.

The ACTING PRESIDENT pro tempore. The yeas and nays have been ordered on the motion to table by unanimous consent.

The question is on agreeing to the motion to table the amendment of the Senator from Missouri. The yeas and nays have been ordered and the clerk will call the roll.

(Mr. ZORINSKY assumed the chair.)

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPER), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HASKELL), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Hawaii (Mr. MATSUOKA), the Senator from Arkansas (Mr. McCLELLAN), the Senator from New York (Mr. MOYNIHAN), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "no."

Mr. STEVENS. I announce that the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr. PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The result was announced—yeas 34, nays 51, as follows:

[Rollcall Vote No. 616 Leg.]

YEAS—34

Bellmon	Culver	Melcher
Bentsen	Glenn	Metcalf
Biden	Gravel	Metzenbaum
Burdick	Hart	Morgan
Byrd	Hathaway	Nelson
Harry F., Jr.	Inouye	Nunn
Byrd, Robert C.	Jackson	Proxmire
Cannon	Johnston	Randolph
Chiles	Long	Sparkman
Church	Magnuson	Stennis
Clark	McClure	Talmadge
Cranston	McIntyre	

NAYS—51

Abourezk	Garn	Pell
Allen	Goldwater	Percy
Anderson	Griffin	Ribicoff
Baker	Hansen	Riegle
Bartlett	Hatch	Roth
Bayh	Hatfield	Sarbanes
Brooke	Heinz	Schweiker
Case	Helms	Stafford
Chafee	Hollings	Stevens
Curtis	Javits	Stevenson
Danforth	Kennedy	Stone
DeConcini	Laxalt	Thurmond
Dole	Leahy	Tower
Domenici	Lugar	Wallop
Durkin	Mathias	Williams
Eagleton	McGovern	Young
Ford	Packwood	Zorinsky

NOT VOTING—15

Bumpers	Humphrey	Pearson
Eastland	Matsunaga	Sasser
Haskell	McClellan	Schmitt
Hayakawa	Moynihan	Scott
Huddleston	Muskie	Weicker

So the motion to lay on the table amendment No. 1615 was rejected.

Mr. DANFORTH addressed the Chair.

The PRESIDING OFFICER. The question recurs on the amendment of the Senator from Missouri.

Mr. DANFORTH. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DANFORTH. Have the yeas and nays been ordered on the amendment?

The PRESIDING OFFICER. They have been ordered.

Mr. DANFORTH. Mr. President, I ask unanimous consent that the order for the yeas and nays be vitiated and we proceed—

Mr. HATFIELD. I object.

The PRESIDING OFFICER. Objection is heard.

The clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Hawaii (Mr. MATSUNAGA), the Senator from Arkansas (Mr. MCCLELLAN), the Senator from New York (Mr. MOYNIHAN), the Senator from Tennessee (Mr. SASSER), and the Senator from Montana (Mr. MELCHER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY), would vote "yea".

Mr. STEVENS. I announce that the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr.

PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The result was announced—yeas 57, nays 28, as follows:

[Rollcall Vote No. 617 Leg.]

YEAS—57

Abourezk	Garn	Pell
Allen	Goldwater	Percy
Anderson	Griffin	Randolph
Baker	Hansen	Ribicoff
Bartlett	Hatch	Riegle
Bayh	Hatfield	Roth
Brooke	Heinz	Sarbanes
Case	Helms	Schweiker
Chafee	Hollings	Sparkman
Clark	Javits	Stafford
Curtis	Kennedy	Stennis
Danforth	Laxalt	Stevens
DeConcini	Leahy	Stevenson
Dole	Long	Stone
Domenici	Lugar	Thurmond
Durkin	Mathias	Tower
Eagleton	McGovern	Wallop
Eastland	McIntyre	Williams
Ford	Packwood	Zorinsky

NAYS—28

Bellmon	Culver	Metzenbaum
Bentsen	Glenn	Morgan
Biden	Gravel	Nelson
Burdick	Hart	Nunn
Byrd	Haskell	Proxmire
Harry F., Jr.	Hathaway	Talmadge
Byrd, Robert C.	Inouye	Young
Cannon	Jackson	
Chiles	Magnuson	
Church	McClure	
Cranston	Metcalf	

NOT VOTING—15

Bumpers	Matsunaga	Pearson
Hayakawa	McClellan	Sasser
Huddleston	Melcher	Schmitt
Humphrey	Moynihan	Scott
Johnston	Muskie	Weicker

So amendment No. 1050 was agreed to.

Mr. DANFORTH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The PRESIDING OFFICER. The Senate will now resume consideration of the unfinished business.

The Senate continued with consideration of H.R. 9346.

The PRESIDING OFFICER. The Senator from Arizona.

Mr. GOLDWATER. Mr. President, may I have the attention of the majority leader?

Has there been a time limit agreed to on this amendment?

The PRESIDING OFFICER (Mr. RIEGLE). The Chair advises the Senator that there has been a 1-hour time limit placed on his amendment subject to the approval of the Senator from Wisconsin and the Senator from Kansas.

Mr. NELSON. I wonder if it is agreeable to make it an hour and a half? We may yield some back. That would be divided equally. There were four or five I had not talked to who said they want to talk to it briefly. The Senator from Arizona knows what "briefly" means around here. Why not agree on an hour and a half, if there is time left, we can yield it back.

Mr. CHURCH. Will the Senator yield for a question?

Mr. NELSON. Yes.

Mr. CHURCH. Is this a unanimous-consent request being propounded?

Mr. NELSON. There is already an agreement, I understand, to limit it to 1 hour. I am asking to make it an hour and a half.

Mr. CHURCH. May I ask if that hour and a half request accommodates amendments to the amendment being offered by the Senator from Arizona?

Mr. NELSON. The majority leader tells me it does not. I have not seen the agreement.

Mr. CHURCH. Does the unanimous-consent agreement prohibit an amendment in the nature of a substitute?

Mr. ROBERT C. BYRD. It would not prohibit an amendment. At the close of the hour, the Senator could offer an amendment.

Mr. CHURCH. I place the Senate on notice that I shall have an amendment in the nature of a substitute to offer. I want to preserve my right to do so.

I ask that the same amount of time

be given to the amendment in the nature of a substitute, which I shall offer, as has been given to the Senator from Arizona for the debate on his amendment.

Mr. NELSON. That would be a total of 3 hours.

Mr. GOLDWATER. Will the Senator yield at that point?

Mr. CHURCH. One hour is sufficient for me, equally divided.

The PRESIDING OFFICER. Is there objection?

Mr. DOLE. Reserving the right to object, Mr. President. The Senator from Kansas wants to make certain he understands what the agreement is or would be if it is approved. Can anybody advise me? There would be an hour on the Goldwater amendment.

Mr. NELSON. An hour and a half.

Mr. DOLE. With an up or down vote?

Mr. NELSON. I am not going to—

Mr. CHURCH. At the expiration of that hour and a half, or such time as is actually consumed, it is my intention to offer an amendment in the nature of a substitute, for which I would like to have an hour's time for debate.

The PRESIDING OFFICER. Is there objection?

The Chair hears no objection. Without objection, it is so ordered.

The question occurs on the amendment of the Senator from New York.

Mr. GOLDWATER. Mr. President, who has the floor?

The PRESIDING OFFICER. The Chair is advised that the Senator from Arizona has the floor, but the business before the Senate at the moment is the amendment of the Senator from New York.

Mr. GOLDWATER. Will the Chair say that again?

The PRESIDING OFFICER. The Chair advises that the pending question is the amendment of the Senator from New York. That is the business at the moment.

Mr. GOLDWATER. Before I yield the floor for that purpose, I ask unanimous consent that Bruce Thompson and John Mervin of Senator ROTH's staff and Terry Emerson of my staff be accorded the privileges of the floor during the debate on this measure.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. GOLDWATER. Also, I ask unanimous consent that, at the expiration of the business of the Senator from New York, I be recognized to offer my amendment.

The PRESIDING OFFICER. Is there objection? Is there any objection to the amendment being in order at this time?

Mr. NELSON. What is the request? Do I understand that the pending amendment is the amendment of the junior Senator from New York?

The PRESIDING OFFICER. That is correct.

Mr. NELSON. And what is the request?

The PRESIDING OFFICER. The Senator from Arizona has asked unanimous consent that his amendment be in order at this time.

Mr. GOLDWATER. No, following that of the Senator from New York.

I ask further unanimous consent that, following my amendment, an amendment

of Senator ROTH occur. He was so kind as to give up his place to me.

Mr. DECONCINI. Reserving the right to object, what was the second unanimous-consent request?

Mr. GOLDWATER. I asked unanimous consent that Senator ROTH be recognized following the disposition of my amendment, because he was so kind as to yield his place to me.

I recognize that my colleague from Arizona has a little problem of departure and if the Chair has no objection and he wants to say a few words about this before he leaves, I do not think anybody would object.

Mr. DECONCINI. If it please the Chair, I have an amendment I had hoped to offer after the senior Senator from Arizona offered his amendment and the Senator from Idaho offered his substitute, so I shall have to object to the unanimous consent for Senator ROTH to be considered next.

The PRESIDING OFFICER. Objection is heard.

Does the Senator from Arizona want to restate his unanimous-consent request without the provision for the Roth amendment?

Mr. GOLDWATER. No, I shall not make that request. It is perfectly all right with Senator ROTH that Senator DECONCINI follow me, and he will take his place in line.

A parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. GOLDWATER. What is the business now?

The PRESIDING OFFICER. The Senate is not in order. Let us have order in the Chamber. Several questions have been raised and before responding, I think it is important that we have order in the Senate.

The pending order of business is the amendment of the Senator from New York.

Mr. GOLDWATER. Is there a time limit on that?

The PRESIDING OFFICER. There is no time limit.

Is there objection to the amendment of the Senator—does the Senator from Arizona wish to have the Chair put his unanimous-consent request forward?

Mr. GOLDWATER. Yes.

The PRESIDING OFFICER. Perhaps I ought to restate it. I am not sure everyone here understands.

Mr. GOLDWATER. I thought the Chair had ruled on it. I had merely asked unanimous consent that I be recognized following the disposition of the amendment of the junior Senator from New York.

The PRESIDING OFFICER. That part has been agreed to.

Mr. GOLDWATER. There was objection raised to the other part.

The PRESIDING OFFICER. Does the Senator wish, then, to amend his unanimous-consent request so that the Senator from Arizona (Mr. DECONCINI) might proceed following the disposition of his amendment, and, following that, Mr. ROTH of Delaware?

Mr. GOLDWATER. I thought that had been handled by the objection raised by

Senator DECONCINI. I think we generally understand what is going to take place.

I ask unanimous consent that Senator DECONCINI be recognized following the completion of my amendment.

Mr. DECONCINI. Following the completion of the amendment of the senior Senator from Arizona and the substitute by the Senator from Idaho.

Mr. CURTIS. Reserving the right to object, I shall not object.

How long does that take us into the day?

The PRESIDING OFFICER. Is there objection, then, to the unanimous-consent request?

Mr. THURMOND. Reserving the right to object, Mr. President, I understood that I was to follow the Goldwater amendment with my amendment. I was willing to give way to the distinguished Senator from Arizona if he is catching a plane; otherwise, I shall be forced to object unless I can follow him. I think there is a chance that my amendment, if I am assured of a hearing, can go off in about 10 minutes.

The PRESIDING OFFICER. Is there objection then to the request of the Senator from South Carolina to follow with his amendment?

Mr. THURMOND. Unless my amendment can follow the distinguished Senator from Arizona.

Mr. ROTH. I will object unless mine follows.

The PRESIDING OFFICER. The Chair will put the unanimous-consent request, restate it for the benefit of the Members here, and that is that following the disposition of the amendment of the Senator from New York, the senior Senator from Arizona will present his amendment, that will be disposed of along with the substitute by the Senator from Idaho, that to be followed by the amendment of the junior Senator from Arizona, that to be followed by the Senator from South Carolina, that to be followed by the Senator from Delaware (Mr. ROTH), and that is the request.

Is there objection to it?

Mr. CURTIS. Reserving the right to object, Mr. President.

The PRESIDING OFFICER. The Senator from Nebraska reserves the right to object.

Mr. CURTIS. On how many of these amendments is there time fixed?

The PRESIDING OFFICER. The Chair would advise that on only two of those amendments have there been time agreements reached. The one of the senior Senator from Arizona, which is an hour and a half, and the one of the Senator from Idaho, which is an hour. The rest are without time limits.

Mr. CHURCH. Reserving the right to object—

Mr. CURTIS. I do not want to bring problems for anybody. I am inclined to think when this involves four or five different amendments that perhaps the leadership ought to meet with those people and try to work out something, rather than just doing as we are. But that would call for withdrawing the unanimous-consent request.

I had hoped that sometime, by 2:45, I could have a vote on my second amend-

ment dealing with financing social security.

That is the reason before I consent to this I want to know how much time they are going to take.

Mr. GOLDWATER. If the Senator will yield, I think if he would allow the junior Senator from New York to proceed, and he says he is only going to go for 10 minutes, and then allow us to take up ours, I can assure the Senator we will not use 1½ hours and I do not believe the Senator from Idaho will use an hour. So if we will get this show on the road, I think the Senator can have his vote at 2:45.

Mr. CURTIS. Will the Senator withdraw his request and let us proceed with the Moynihan amendment and then restate it?

Mr. GOLDWATER. What is that?

Mr. CURTIS. Would the Senator withdraw his request?

Mr. GOLDWATER. No. I have been around here too long.

The PRESIDING OFFICER. The matter then is before the Senate. Is there objection?

The Chair hears no objection. Without objection, it is so ordered.

The Senator from New York.

UP AMENDMENT NO. 1051

(REPLACEMENT FOR AMENDMENT NO. 1618)

Mr. MOYNIHAN. Mr. President, I thank the Chair and my colleagues for making this intervention possible. I shall be as brief as I can.

Mr. President, the administration, on whose behalf I am offering this amendment, has made some technical corrections in the draft which I submitted last evening.

Accordingly, I ask unanimous consent that the revised amendment I am now sending to the desk be substituted for the one I offered yesterday.

The PRESIDING OFFICER. Without objection, it is so ordered.

The clerk will state the modification of the amendment of the Senator from New York.

The assistant legislative clerk read as follows:

The Senator from New York (Mr. MOYNIHAN) proposes an unprinted amendment numbered 1051.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out section 305 and substitute in lieu thereof, the following:

SECTION 1. (a) Section 402(a)(7) of the Social Security Act is amended by striking out "any" before "expenses" and by inserting before the semicolon at the end thereof the following: "which, for expenses other than for the care of a dependent child, shall be based on a percentage of not less than 15 percent nor more than 25 percent of the total of such earned income for such month, which percentage shall be established subject to methods and standards prescribed by the Secretary to assure that the percentage is related to actual work expenses, and which for expenses for the care of a dependent child shall provide an amount equal to any such expenses, subject to such reasonable limits as the State shall prescribe pursuant to meth-

ods and standards prescribed by the Secretary, to assure that the limits allow an amount which fairly recognizes the actual child care expense incurred."

(b) Section 402(a)(8)(A)(ii) of such Act is amended by striking out "the first \$30 of the total of such earned income for such month plus one-third of the remainder of such income for such month" and inserting instead "the first \$30 of the total of such earned income for such month plus an amount equal to any expenses which are for the care of a dependent child plus an amount equal to other expenses reasonably attributable to the earning of any such income (as established pursuant to clause (7)) plus one-third of the remainder of such income after deducting \$30, plus the amount equal to any expenses which are for the care of a dependent child plus the amount established by the State for other expenses reasonably attributable to the earning of such income (as established pursuant to clause (7))."

(c) The amendments made by this section shall be effective with respect to payments under section 403 of the Social Security Act for amounts expended during calendar months after December 1977.

Mr. MOYNIHAN. Mr. President, this amendment is, in a way, a substitute to a provision in the committee bill which is now before us. It has to do with the technical issue of what is known in the language of social welfare as the earned income disregard.

In 1967, Mr. President, the Congress, in an effort to provide AFDC mothers with an incentive to work, adopted the so-called 30 and one-third formula whereby the recipients were enabled to disregard the first \$30 of their earnings, plus a third of the subsequent earnings thereafter, plus actual work expenses, taxes and child care costs.

We have now had a decade of experience with this, Mr. President. But we do not seem to have any information about what have been the consequences.

Dr. Blanche Bernstein, who until recently was a deputy commissioner of social services in New York State, testified in July that it is "at least doubtful" the 30 and one-third has ever been a significant incentive to work.

The proportion of AFDC mothers in New York City, for example, who are employed, has remained stable at about 6 percent for years and the numbers that leave the welfare rolls because they obtained jobs have remained low, at about 4 percent.

I note that the percentage of welfare recipients, with jobs in New York City is about 6 percent, a figure well below the national ratio of working mothers.

Miss Bernstein writes that the "main effect" of this arrangement has been "to create a permanent class of welfare recipients for it is unlikely that most of the women who come on to the AFDC program will ever command jobs which will pay salaries substantially above the average for all wage earners."

I have spoken to the Commissioner of Social Security, Mr. Cardwell, who agrees that there is no information on the subject excepting this: We do not know that the present arrangements have made it possible to continue receiving welfare and associated benefits, such as Medicaid, well into an income range where no one was indigent.

Miss Bernstein estimates that under certain circumstances persons can earn up to \$29,000 a year under this formula and still receive some marginal welfare benefits, as well as retaining their entitlement to Medicaid, which is not marginal at all.

There is now a general agreement that it should be changed.

The Senate Finance Committee has twice before adopted the formula which is in the present bill, which provides for a scaling down of the disregard, such that this hypothetical person with a \$29,000 income is no longer eligible for it.

The difficulty with the Finance Committee's proposal is that it cuts off too much. It reduces the marginal rate of income retained, to almost nothing, and possibly, in some circumstances, to a negative rate, such that to earn \$1 costs \$1.05. The mathematics of these particular income formulas are discouraging and sometimes bewildering.

But because this is so and because the sole purpose of the disregard has been to encourage work, the administration proposes a substitute formula.

It works to the same objectives as does the committee measure. As much as consistency can be obtained in this world, in which one measure invariably defeats or subverts another, the administration formula does so.

Mr. President, there is no wisdom in this matter; worse, there is not even much information. The Department of Health, Education, and Welfare allows that it does not know anything about the effects of this provision one way or the other.

On the face of it, the present arrangements provide benefits to persons whom no one ever anticipated would receive them. Such is the inexorable mathematics of marginal rates of taxation, and it is the dilemma which faces all programs of this kind.

The committee bill is estimated by the committee to reduce the total cost of the AFDC program by \$230 million. The administration measure would reduce it by \$119 million.

I submit that there is a choice here between the amount of money to be saved; but also, I think that a reasonable person, looking at the effects of the committee measure on marginal rates of earnings, would have to agree that it has destroyed any incentive to additional earnings, and it was to create such incentives that the original formulas were adopted.

That, Mr. President, is as much as I would like to present formally, and I would be happy to answer any questions.

Mr. JAVITS. Mr. President, will the Senator yield?

Mr. MOYNIHAN. I yield.

Mr. JAVITS. Mr. President, I support the Senator, and I shall vote for his substitute. So few of the AFDC mothers—and that is what it really comes down to—are at work. From my own experience in one of the biggest centers of that—to wit, New York City—I deeply feel it is because of lack of incentive. The arrangement which the Senator has in

mind, I believe—and I agree with him—would reduce the disincentive to work that the committee bill contains and yet maintain its provisions for simplification of administration and tightening of abuses in the area of work-related expenses.

Senator Moynihan's amendment would require States to put a cap on work-related expenses between 15 and 25 percent of gross income. This would prevent abuse of the work-expense deduction I have been in this Chamber for many years when the argument has been made about the AFDC mothers who travel to work in gold-plated Cadillacs. Aside from the administrative efficiency of a percentage, which is very great—and if there is any place where we should cut redtape, it is here—the thing that appeals to me is the fact that it can be an answer to the idea that people who are on welfare are riding to work and otherwise carrying on in some kind of luxurious style. I have heard more of that thrown at this program than anything else I know of.

I think that the Senator, by his provision, which is the administration provision, will help very materially in cleaning up that situation.

Mr. MOYNIHAN. I thank my senior colleague.

Mr. President, reserving the right to reply, I now have concluded my formal statement on the matter. I see that my distinguished associate in the Finance Committee, the revered Senator from Nebraska, has risen, and I accordingly accede.

Mr. CURTIS. I thank my distinguished colleague. He is such a charming gentleman that he starts out with considerable advantage. He can garner a number of votes beyond the merits of the proposition he is advancing. So it is with considerable timidity that I rise to oppose his amendment.

Here is the situation: There is a provision in the bill, and the estimate is that if it stays there, it will save \$230 million in welfare costs. If the substitute of the distinguished Senator from New York is adopted, the savings will drop down to about \$119 million annually.

It comes about in this manner. Congress wants to do something to encourage welfare mothers to work, so that they can break out of welfare and get a job. What Congress has done is this: It has said that certain earnings shall be disregarded and will not be counted against the recipient. The mother can earn that much money and still draw AFDC benefits.

The controversy is not over working or not, incentive or not. It is how much incentive, and what is the formula? The formula in the law for a disregard of earnings that do not count against the welfare recipient have proved that it needs to be rewritten and tightened up. That is the reason why the Senate Committee on Finance put it in this bill. The provision in the bill now has passed the Senate twice. It has been approved by the Committee on Finance three times. If it prevails, we save \$230 million a year. If the substitute or the alternative of the

distinguished Senator from New York is adopted, it will save a lesser amount.

What is the practical effect of the two? If the committee version prevails, the top limit that anyone could earn, under any circumstances, and still be on AFDC rolls, for a family of four, would be \$11,000 a year or a little more. If the amendment of the distinguished Senator from New York prevails, it will be possible in some cases for an AFDC recipient to have earnings as much as a little over \$16,000 a year and still be on welfare.

Therefore, I believe that the Senate should reaffirm what it has passed on two other occasions and leave the committee language in there, for the greater saving. If it prevails, it still will be possible, under certain circumstances, the way the formula works, for an AFDC recipient to have outside earnings of as much as \$11,000, and I think that is appropriate.

I do not think we should jeopardize the welfare program and cause the public scorn to focus on it and be critical of Congress because we permit a disregard of earnings for an AFDC recipient which can run as high as \$16,000 for a family of four.

Therefore, I oppose the amendment, and I am ready to vote.

Mr. MOYNIHAN. Mr. President, I will respond very briefly.

First, I thank the Senator from Nebraska.

The one thing the Committee on Finance can say is that we have agreed on these numbers. The Senator is entirely correct.

The present arrangement permits earning up to the \$29,000 level. The committee's measure would put a ceiling in effect of about \$11,000. The administration proposed about \$16,000.

The point I wish to make, and I shall not try the patience of this body to lecture on the marginal rates of taxation in the measure, is that this is an incentive program. Yet for a mother earning less than the minimum wage, earning about \$85 a week, under the committee measure for each additional dollar she would earn she would retain only 13 cents.

The administration measure is scarcely more adept at its avowed social purpose. At the \$330 a month level, the marginal rate of taxation is 77 percent, leaving 23 percent for each dollar earned.

There does not seem to be any way out of this arithmetical dilemma. What its consequences are, few know. But with the incongruity of the present arrangements agreed upon, the Senate faces a choice between scaling down the disregard to levels which the administration feels and which I feel will defeat the purpose of the program, and the amendment we offer by way of a substitute which is a measure that is considerable but yet not, as we would think, extreme.

I should now like to elaborate somewhat on my earlier remarks, which I intentionally kept brief so that the Senate could move expeditiously to the many matters before it today.

My amendment, fully supported by, and introduced at the behest of, the Carter administration, would modify slightly

the Finance Committee bill with respect to the "earned income disregard." This is the element of the AFDC program that prescribes how much in the way of private earnings a welfare recipient is permitted to retain without losing welfare benefits.

It is a complicated formula and therefore all proposed revisions in it are equally complex.

As background, I shall quote from testimony offered before the House Committee on Government Operations in July 1977, by Dr. Blanche Bernstein, a widely recognized authority on welfare and, until recently, deputy commissioner for income maintenance of the New York State Department of Social Services:

In its efforts to provide AFDC mothers with an incentive to work, the Congress in 1967 adopted the income disregard of \$30 plus a third of remaining monthly income as well as actual work expenses, taxes, and child care costs. As a result it is possible for an AFDC mother with three children to remain on welfare, albeit with a small cash grant, until her income reaches \$29,000 per year, and as long as she is on welfare she remains eligible for medicaid for herself and her children.

It is at least doubtful that 30 and a third has ever been a significant incentive to work—the percentage of AFDC mothers in New York City who are employed has remained stable, at about six percent, for years, and the numbers who leave the welfare rolls because they obtained jobs has remained low—fewer than four percent. Its main effect has been to create a permanent class of welfare recipients, for it is unlikely that most of the women who come on to the AFDC program will ever command jobs which will pay salaries substantially above the average for all wage earners. Further, it creates a serious inequity between those who never were on welfare and those who were, to the great disadvantage of the former.

The Administration has submitted a proposal to the Congress to substitute a standard deduction of between 15 and 25 percent of gross income in place of itemized expenses, plus child care costs, plus 30 and one third of remaining income after the standard deduction and child care costs. This is a substantial improvement over the present system but in my view it does not go far enough. It does reduce the cut-off point for a mother with three children from a maximum of \$29,000 to a maximum of about \$13,800 assuming a 20 percent standard deduction and child care expenses of \$200 per month.

I would add two comments to Dr. Bernstein's reflections. First, with respect to the estimate that the proportion of AFDC mothers in New York City who are employed has remained relatively constant at about 6 percent for some years, I would contrast the fact that, nationwide, some 15,461,000 women with children under the age of 18 were working in March 1977, and that this comprises approximately 50.7 percent of all women with minor children.

As for the "incentive effect" of the present income disregard, I inquired of Mr. Bruce Cardwell, the Commissioner of Social Security, whether the Department of Health, Education, and Welfare has available any research findings on this point. He stated that, to his knowledge, no definitive information is available.

One would think this a matter susceptible to disciplined social science in-

quiry, but evidently the necessary research has not been done. We are, therefore, forced to make judgments based on impressions and suppositions. Yet it is not an unimportant issue. For if the earned income disregard is too generous, then persons with rather high incomes will remain eligible for welfare benefits. But if it is too stern, it seems likely that we will erode the economic rationale for welfare recipients to go to work. For if the "marginal tax rate" on earnings is too high, one does not improve one's financial situation as a consequence of working.

Practically everyone agrees that the earned income disregard in the present law is wasteful. In New York, as Dr. Bernstein has shown, it is possible, albeit not likely, for a welfare recipient to earn up to \$29,000 a year before the last dollar of that recipient's benefits would vanish. And while the cash payment at those higher income levels would be small, the family receiving it would also retain full eligibility for medicaid.

We would agree that it is a mistake for the welfare program to subsidize the middle class at the expense of the indigent and the working poor. The earned income disregard must be tightened. The administration wants this to be done; indeed, that is one of the notable elements of the President's long-range welfare reform plan. The Committee on Finance also wants this to be done. The question is how much.

In my view, and that of the Secretary of Health, Education, and Welfare, the committee approach is somewhat too severe. It saves additional money, to be sure, but it does so by reducing benefits so much that whatever impetus to work may result from the present disregard would be eroded.

My amendment, which is the earned income disregard proposed by Secretary Califano last May, save for a few technical corrections, would allow a more adequate income for many of our neediest citizens.

This last is not an unimportant point. Welfare recipients bear a particularly heavy burden when the economy is in an inflationary period. Their income includes scant margin for fluctuations in the prices of essential goods and services. Surely we would not wish to modify the earned income disregard in such a way as to aggravate the hardship of a mother trying, with scant help from anyone else, to rear several small, fatherless children.

The present law allows the recipient to "disregard": First, the first \$30 of his or her monthly earnings; second, one-third of all remaining earnings; third, the total amount of child care costs; and fourth, the total amount of other work-related expenses. Let us consider its effect on a typical, if necessarily hypothetical family. Since the average AFDC family in the United States, as of July 1977, contained 3.1 persons, and since the AFDC benefit guarantee level for a family of three with no other income was \$261 in the median state during that same month, it is instructive to examine the impact of the

earned income disregard on such a family. Let us assume that the head of the family has earnings of \$125 a week, or \$500 per month, has \$150 in child care expenses, and \$100 in other work expenses.

Under present law, a recipient in those circumstances would be entitled to a disregard of \$447, which means her monthly AFDC benefit would be reduced to \$208. Her gross monthly income would then total \$708, or an annual rate of \$8,496.

The Committee on Finance has proposed—and the Senate has twice previously agreed—to change this formula quite drastically. Under the new formula contained in this bill, an AFDC recipient would be allowed to disregard the first \$60 of monthly earnings, a limited amount of child care costs, no additional work-related expenses, one-third of the next \$300 in earnings, and 20 percent of any amount earned above that level. Under the example I gave, that formula would yield a disregard of \$307, assuming the entire actual amount of child care expenses was allowed, and would thus shrink the monthly benefit to \$68. The gross monthly income would then be \$568 for an annual rate of \$6,816.

In an attempt to find a satisfactory middle ground, the administration amendment which I have offered would disregard the first \$30 in monthly benefits; would disregard actual child care expenses under a limit prescribed by the Secretary; would allow 15 to 25 percent of total earnings—the actual rate to be determined by the State, under regulations prescribed by the Secretary—for other work-related expenses; and to allow a further disregard of one third of all earnings in excess of the basic child-care and work-expense disregards. Under my example, assuming that the entire \$150 in child care expenses was allowed, and assuming further that the State determined 20 percent to be the appropriate work allowance, the recipient would receive a total disregard of \$353. This would leave a monthly benefit of \$114, a gross monthly income of \$614, and an annual income of \$7,368.

I believe this is a reasonable approach. It would save an amount estimated by the Committee on Finance to be \$119 million per annum, as compared with present law.

The final point I would wish to make concerns the "marginal tax rates" implicit in these two alternative formulas. According to administration calculations, if the Finance Committee bill were adopted, an AFDC recipient with earnings between \$334 and \$360 per month would have a marginal tax rate of 87 percent. Those earning above \$360 monthly would face a marginal rate of 96 percent. Those whose earnings brought them into the range where they would be paying Federal income taxes could actually find themselves with a marginal rate in excess of 100 percent, meaning that for each additional dollar they earned they would lose more than \$1 in net income.

Under the provisions of my amendment, the marginal tax rate for an AFDC recipient earning more than \$333 monthly—and assuming that the State chose 20 percent as the work expense allowance—would be 77 percent. This is still high, but not absurdly so.

In sum, I regard this amendment to be a reasonable compromise between the present law, which clearly needs to be changed, and the committee bill, which I believe is somewhat too severe in this regard. I urge the adoption of my amendment.

Mr. CRANSTON. Mr. President, while I am voting for the Moynihan amendment today, I do so reluctantly and because I believe it to be less harsh in its application to AFDC recipients in California. I am concerned, however, that this amendment to the present law, governing the earned income of certain AFDC recipients, is at best an imperfect and probably an excessive solution to the problem of excessive amounts of work-related expenses that have been claimed by some AFDC recipients. The present law contains no statutory cap on the amounts of these expenses which may be deducted by AFDC recipients who incur extra costs when they take full or part-time jobs in an attempt to supplement their family's income. As a result there may have been excessive deductions in some cases; however, I do not want to solve that problem by also reducing the incentive of persons to find those extra jobs which necessarily include legitimate extra costs.

In addition I believe that this provision should be more appropriately considered as part of the administration's welfare reform proposals rather than being prejudged at this time. I hope that the conferees will carefully evaluate the full impact and appropriateness of including this provision as part of their final conference product.

Mr. MOYNIHAN. Mr. President, I have no further comments to make.

I ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New York. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Arkansas (Mr. BUMPERS), the Senator from Alaska (Mr. GRAVEL), the Senator from Maine (Mr. HATHAWAY), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Arkansas (Mr. MCCLELLAN), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

Mr. STEVENS. I announce that the Senator from Utah (Mr. HATCH), the

Senator from California (Mr. HAYAKAWA), the Senator from Nevada (Mr. LAXALT), the Senator from Kansas (Mr. PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The result was announced—yeas 42, nays 43, as follows:

[Rollcall Vote No. 619 Leg.]

YEAS—42

Abourezk	Haskell	Metzenbaum
Anderson	Heinz	Moynihan
Bayh	Inouye	Nelson
Biden	Jackson	Fell
Brooke	Javits	Proxmire
Burdick	Kennedy	Randolph
Case	Leahy	Ribicoff
Chafee	Lugar	Riegle
Clark	Magnuson	Sarbanes
Cranston	Mathias	Sparkman
Danforth	Matsunaga	Stafford
DeConcini	McGovern	Stevenson
Eagleton	Melcher	Stone
Hart	Metcalf	Williams

NAYS—43

Allen	Durkin	Morgan
Baker	Eastland	Nunn
Bartlett	Ford	Packwood
Belmont	Garn	Percy
Bentsen	Glenn	Roth
Byrd	Goldwater	Schweiker
Harry F., Jr.	Griffin	Stennis
Byrd, Robert C.	Hansen	Stevens
Cannon	Hatfield	Talmadge
Chiles	Helms	Thurmond
Church	Hollings	Tower
Culver	Johnston	Wallop
Curtis	Long	Young
Dole	McClure	Zorinsky
Domenici	McIntyre	

NOT VOTING—15

Bumpers	Huddleston	Pearson
Gravel	Humphrey	Sasser
Hatch	Laxalt	Schmitt
Hathaway	McClellan	Scott
Hayakawa	Muskie	Weicker

So Mr. MOYNIHAN's amendment (UP amendment No. 1051) was rejected.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the amendment was rejected.

Mr. CURTIS. I move to lay that motion on the table.

Mr. LONG. Point of order, Mr. President.

Several Senators addressed the Chair.

The PRESIDING OFFICER (Mr. MELCHER). The Senator from Nebraska.

Mr. CURTIS. A point of order, Mr. President. A motion to reconsider must be made from the prevailing side.

The PRESIDING OFFICER. The Senator is correct. The motion must be made by a Senator who voted on the prevailing side or by a Senator who has not voted. The motion by the Senator from New York is not in order.

Mr. CURTIS. Mr. President, what is the pending business?

The PRESIDING OFFICER. The Senator from Arizona is recognized to offer an amendment.

UP AMENDMENT NO. 1052

(Purpose: Relating to repeal of earnings test for individuals age 65 and over.)

Mr. GOLDWATER. Mr. President, I send an amendment to the desk and ask for its immediate consideration. This amendment is offered for myself and 17 other Senators.

The PRESIDING OFFICER. The amendment will be stated.

Mr. CURTIS. Mr. President, may we have order so we can hear the Senator from Arizona?

The PRESIDING OFFICER. May we have order, please?

The Senate will have to be in order so we can have the clerk state the amendment.

The amendment will be stated.

The legislative clerk read as follows:

The Senator from Arizona (Mr. GOLDWATER), for himself, Mr. DOLE, Mr. DeCONCINI, Mr. BAYH, Mr. STONE, Mr. STEVENS, Mr. THURMOND, Mr. HATFIELD, Mr. HELMS, Mr. SAKER, Mr. LAXALT, Mr. BARTLETT, Mr. DOMENICK, Mr. LUGAR, Mr. ALLEN, Mr. ROTH, Mr. PACKWOOD, Mr. RANDOLPH, and Mr. MORGAN, proposes an unprinted amendment numbered 1052.

Mr. GOLDWATER. Mr. President, I ask unanimous consent that the further reading be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out section 121 of the Act (together with the caption thereto) and insert in lieu thereof the following:

LIBERALIZATION AND EVENTUAL REPEAL OF EARNINGS TEST FOR INDIVIDUALS AGE 65 AND OVER

SEC. 121. (a) Section 203(f)(8)(A) of the Social Security Act is amended by striking out "a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends after the calendar year" and inserting in lieu thereof "the new exempt amounts (separately stated for individuals described in subparagraph (D) and for other individuals) which are to be applicable (unless prevented from becoming effective by subparagraph (C)) with respect to taxable years ending in (or with the close of) the calendar year after the calendar year".

(b)(1) Section 203(f)(8)(B) of such Act is amended by striking out "The exempt amount for each month of a particular taxable year shall be" in the matter preceding clause (1) and inserting in lieu thereof "Except as otherwise provided in subparagraph (D), the exempt amount which is applicable to individuals described in such subparagraph and the exempt amount which is applicable to other individuals, for each month of a particular taxable year, shall each be".

(2) Section 203(f)(8)(B)(1) of such Act is amended by striking out "the exempt amount" and inserting in lieu thereof "the corresponding exempt amount".

(3) The last sentence of section 203(f)(8)(B) of such Act is amended by striking out "the exempt amount" and inserting in lieu thereof "an exempt amount".

(c)(1) Section 203(f)(8) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) Notwithstanding any other provision of this subsection, the exempt amount which is applicable to an individual who has attained age 65 before the close of the taxable year involved—

"(i) shall be \$333.33½ for each month of any taxable year ending after 1977 and before 1979,

"(ii) shall be \$375 for each month of any taxable year ending after 1978 and before 1980,

"(iii) shall be \$416.66½ for each month of any taxable year ending after 1979 and before 1981, and

"(iv) shall be \$458.33½ for each month of any taxable year ending after 1980 and before 1982."

(2) No notification with respect to an increased exempt amount for individuals described in section 203(f)(8)(D) of the Social Security Act (as added by paragraph (1) of this subsection) shall be required under the last sentence of section 203(f)(8)(B) of such Act in 1977, 1978, 1979, or 1980; and section 203(f)(8)(C) of such Act shall not prevent the new exempt amount determined and published under section 203(f)(8)(A) in 1977 from becoming effective to the extent that such new exempt amount applies to individuals other than those described in section 203(f)(8)(D) of such Act (as so added).

(d) Subsections (f)(1), (f)(3), (f)(4)(B), and (h)(1)(A) of section 203 of such Act are each amended by striking out "\$200 or the exempt amount" and inserting in lieu thereof "the applicable exempt amount".

(e) Subject to subsection (f), the amendments made by the preceding provisions of this section shall apply with respect to taxable years ending after December 1977.

(f) Effective with respect to taxable years ending after December 31, 1981—

(1) subsections (d)(1), (f)(1)(B), and (j) of section 203 of the Social Security Act, and subsection (c)(1) of such section 203 (as amended by section 411(1) of this Act), are each amended by striking out "seventy-two" and inserting in lieu thereof "sixty-five";

(2) the last sentence of section 203(c) of such Act (as so amended) is amended by striking out "nor shall any deduction" and all that follows and inserting in lieu thereof "nor shall any deduction be made under this subsection from any widow's or widower's insurance benefit if the widow, surviving divorced wife, widower, or surviving divorced husband involved became entitled to such benefit prior to attaining age 60";

(3) clause (D) of section 203(f)(1) of such Act is amended to read as follows: "(D) for which such individual is entitled to widow's or widower's insurance benefits if she or he became so entitled prior to attaining age 60, or";

(4) section 203(f)(3) of such Act is amended by striking out "age 72" and inserting in lieu thereof "age 65";

(5) section 203(f)(5)(D) of such Act is repealed;

(6) section 203(h)(1)(A) of such Act is amended by striking out "the age of 72" and "age 72" and inserting in lieu thereof in each instance "age 65";

(7) the heading of section 203(j) of such Act is amended by striking out "Seventy-two" and inserting in lieu thereof "Sixty-five";

(8) subsections (f)(1), (f)(3), (f)(4)(B), and (h)(1)(A) of section 203 of such Act (as amended by section 501(d) of this Act) are each further amended by striking out "the applicable exempt amount" and inserting in lieu thereof "the exempt amount";

(9) the amendments made by subsections (a), (b), and (c)(1) of this section shall cease to be effective; and the provisions of section 203 of such Act (as otherwise amended by the provisions of this Act) shall read as they would if such subsections (a), (b), and (c)(1) had not been enacted.

In the matter proposed to be added to sections 3101 and 3111 of the Internal Revenue Code of 1954 by sections 103(a)(1) and 103(b)(1) of the bill;

In paragraph (3) strike out "5.085" and insert in lieu thereof "5.05";

In paragraph (4) strike out "5.35" and insert in lieu thereof "5.40";

In paragraph (5) strike out "5.65" and insert in lieu thereof "5.70";

In paragraph (6) strike out "6.10" and insert in lieu thereof "6.15";

In paragraph (7) strike out "6.70" and insert in lieu thereof "6.75"; and

In paragraph (8) strike out "7.30" and insert in lieu thereof "7.35".

In the matter proposed to be added to section 1401 of the Internal Revenue Code of 1954 by section 103(c) of the bill:

In paragraph (4) strike out "8.00" and insert in lieu thereof "8.10";

In paragraph (5) strike out "8.50" and insert in lieu thereof "8.55";

In paragraph (6) strike out "9.15" and insert in lieu thereof "9.25";

In paragraph (7) strike out "10.05" and insert in lieu thereof "10.10"; and

In paragraph (8) strike out "10.95" and insert in lieu thereof "11.05".

Mr. DeCONCINI. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. GOLDWATER. I yield for that purpose.

Mr. DeCONCINI. Mr. President, I ask unanimous consent that Jerry Bonham, of my staff, be granted the privileges of the floor during the consideration of the pending legislation and any votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Time on this amendment is limited to 1 hour, to be equally divided. Who yields time?

Mr. GOLDWATER. I yield myself such time as I may require.

Mr. NELSON. Mr. President, will the Senator yield?

Mr. GOLDWATER. I will yield on the Senator's time.

Mr. NELSON. Mr. President, this is a very important amendment. I believe the Members who are in the Chamber should have the chance to hear the Senator from Arizona and those in opposition. I would ask that the Chair require that there be order in the Senate Chamber and that those who are continuing to converse be requested to leave the Chamber.

The PRESIDING OFFICER. The Senator is correct. I would hope the Senators will listen to Senator GOLDWATER, and I would hope the staff members, officers and employees in the Senate will do likewise if they want to remain in the Chamber.

The Senator from Arizona.

Mr. GOLDWATER. I thank you, Mr. President, and I thank the Senator from Wisconsin.

Mr. President, before briefly explaining this amendment, I would observe that on S. 146, which is my amendment offered to the bill, I have 34 cosponsors. Senator BAYH has introduced a bill, S. 1455, which does the same thing. He has Senator HUMBLESTON as a cosponsor. We have a total now of 43 Senators who are, to some extent, committed publicly to the repeal of the ceiling.

Mr. President, the amendment would repeal the earnings ceiling on social security benefits for all persons aged 65

aid over effective January 1982. The amendment is identical to the Ketchum amendment which passed the House of Representatives last week by the convincing vote of 268 to 149. Both that amendment and ours will phase out the earnings ceiling for older persons over a period of 4 years, from 1978 to 1982. The ceiling, Mr. President, will become \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and then be removed entirely for persons 65 and over beginning in 1982.

Mr. President, it is my feeling, and obviously the feeling of a majority of the people in this body and the other body, that the earnings test is an outrageous discrimination against more than 11 million citizens in the age group of 65 to 72.

Mr. President, if persons this age wish to continue working, they must pay a tax of 50 percent. They lose \$1 of benefits for every \$2 of earnings on all income earned over \$3,000 until their benefits are withheld entirely.

Mr. President, let me observe at this point what we are really dealing with. We are not dealing with the funds of the general fund. We are not really dealing with the subject of money. We are dealing, in my opinion, with the subject of morality.

These are people who have paid their money into social security and their employers have matched that money, and that has been paid into social security. This is their money. I repeat: This is their money. It is not the money of the Federal Government. I do not think it is morally right for the Federal Government to say to anyone to whom it owes money, "we are not going to pay you this money unless you meet certain criteria that we set."

That is the basis of my argument, Mr. President. I do not get down into the arithmetic of the thing, although we will and we can. I am just getting down to the question of whether it is morally right for us to tell any person over 65 or any recipient of social security that that person cannot earn more than \$3,000 a year without being penalized \$2 for every dollar earned.

By the time they reach 65, they will have paid taxes into the system over a normal working lifetime, and their employers have paid taxes on their behalf. I believe workers are entitled to receive benefits at age 65 whether they continue working or not. Their benefits have matured by then.

I know someone will raise the objection that repeal will be too expensive, but the cost estimates never take account of the additional revenue that will result from repeal of the earnings test. Based on studies made by independent economists, I am convinced that elimination of the earnings ceiling will generate at least \$1 billion in added revenues. This

would offset much of the difference between our amendment and the amendment that has already been approved in the Finance Committee bill. These additional revenues will come from 2 million or more of the persons who are now staying home in order to draw their full benefits, but who will return to work after the earnings test is repealed and resume paying social security and income taxes. Since they are already drawing the full benefits, they will not cost the system one dime, but they will produce new revenues for the Government by returning to work.

The same thing can be said of the half-million or more people who have been employed but had no benefits withheld because they have deliberately kept their earnings under the ceiling so that they could collect the full amount of their social security checks. Again, these persons are already drawing benefits and they would not add any new costs to the system. But by working for higher wages, they would pay additional taxes and boost the national product.

Not only has the Government never estimated the additional taxes that will be paid by the millions upon millions of persons who will rejoin the labor force or work for higher earnings, once the income test is repealed, but it has never calculated the increased output of goods and services that will be added to the national economy by repeal of the income test. So the cost arguments used against repeal do not hold up when one looks at all of the facts.

Mr. President, our amendment is endorsed by the American Association of Retired Persons and the National Retired Teachers Association. These organizations report that they have never received so much mail on any subject as they have on this one. Mr. President, I hope that there will be an overwhelming vote for the amendment.

I ask unanimous consent to have printed in the Record at this point a copy of the letter I have received from the associations and a table showing the new revenues that will be raised by repeal of the earnings limit. This table has never been refuted by contrary data.

There being no objection, the material was ordered to be printed in the Record, as follows:

EXHIBIT 1

NATIONAL RETIRED TEACHERS ASSOCIATION, AMERICAN ASSOCIATION OF RETIRED PERSONS,

November 1, 1977.

HON. BARRY GOLDWATER,
U.S. Senate,
Washington, D.C.

DEAR SENATOR GOLDWATER: On behalf of our millions of retired members, we strongly urge your support of efforts to repeal the social security earnings limitation. Over the years there has been no subject about which these Associations have received more mail and on the basis of thousands of communications from our members, there is no pro-

vision of social security law that is more unpopular.

Supporters of the test argue first that elimination is costly and secondly, that the distribution of benefits favors persons at higher income levels. We would like to take this opportunity to point out that on the basis of existing economic evidence, neither of these two arguments is obvious even within the narrow context within which they are offered. Secondly, from a broader social viewpoint, both may be simply wrong.

According to the Social Security Administration repeal of the earnings limitation for persons over 65 would cost the social security system, or more accurately the taxpayer, 2.9 billion dollars. It should be clear, however, that to have a provision in the social security system which causes people to limit their work effort, itself imposes a significant cost on taxpayers. Potentially productive people who could be supplementing their income thru their own efforts and contributing to national output are instead forced to remain idle. If only 1 million older people re-enter the labor market on a part-time basis, even earning at the minimum wage the increase in gross national product that will occur exceeds the 2.9 billion estimated cost of repeal. It should also be clear that additional workers are also additional taxpayers. Estimates of the gain in income tax receipts and social security tax receipts exceed 1 billion dollars a year. It appears quite likely that the cost to taxpayers of continuing the earnings limitation is greater than the cost of repeal.

It is also argued that repeal of the limitation would primarily benefit the relatively higher income elderly and not older persons of low income. It should be noted that the working elderly are of higher income than their non-working counterparts solely by virtue of the fact that they work, not because they are wealthy that compared to younger workers, even the working elderly are of relatively low income and that the earnings limitation is the only "means" test in the entire social security system. More importantly, however, there is a large group of hidden beneficiaries who are of relatively low income that the supporters of the earnings limitation choose to ignore. Studies by the Social Security Administration and university economists have clearly documented the fact that large numbers of low income workers deliberately hold their earnings down and drop out of the labor force rather than bear the incredibly high 70 percent tax rate the earnings limitation imposes. Since these people do not actually have their social security benefits reduced, they are not counted as potential beneficiaries when in fact repeal of the test will permit large numbers of low income people to earn additional income to supplement and improve their standard of living.

In summary, we urge your support of repeal of the earnings limitation because it will in fact benefit large numbers of low income elderly people and because the limitation now imposes a substantial cost on taxpayers thru the loss of gross national product and tax revenues. Finally, we urge your support because we believe it to be simply wrong to tell people they cannot work as much as they choose to, to support themselves. Repeal of the limitation is supported by the public, and needed by the elderly and we urge you to do all you can to see that it becomes a reality.

Sincerely,

PETER W. HUGHES,
Legislative Counsel.

EXHIBIT 2.—INCREASED REVENUES RESULTING FROM REPEAL OF EARNINGS LIMIT AT AGE 65

	Total persons returning to work ¹ (thousands)	Mean earnings ²	Revenues (millions)		
			OASDI ³	Income tax ⁴	Total
A. Revenues from beneficiaries presently nonworking who already receive all their benefits and who will decide to return to work:					
High estimate:					
Total.....	2,000		\$1,014.8	\$207.0	\$1,221.8
Males.....	1,200	\$5,070	736.0	180.0	916.0
Females.....	800	3,040	278.8	27.0	305.8
Low estimate:					
Total.....	1,500		784.4	155.0	939.4
Males.....	900	6,070	575.3	135.0	710.3
Females.....	600	3,040	209.1	20.0	229.1

	Total persons increasing earnings ¹ (thousands)	Near earnings over \$3,000 ²	Revenues (millions)		
			OASDI ³	Income tax ⁴	Total
B. Revenues from beneficiaries presently employed who already receive all their benefits and who will increase their earnings above exempt amount:					
High estimate:					
Total.....	500		\$77.4	\$14.7	\$92.1
Males.....	300	\$3,070	76.7	12.0	88.7
Females.....	200	40	.7	2.7	3.4
Low estimate:					
Total.....	300		58.0	11.0	69.0
Males.....	180	3,070	57.5	9.0	66.5
Females.....	120	40	.5	2.0	2.5
C. Total revenues gained by repeal of earnings limit at age 65:					
High estimate (billions).....					1.3
Low estimate (billions).....					1.0

¹ The analysis takes account of the fact that the labor force participation rate of men is greater than that of women in the age group 65-71. See U.S. Department of Commerce, Bureau of Census, "Current Population Reports—Consumer Income," series P-60, No. 105, June 1977, table 49, at pp. 216-219.

² Source: Unpublished working paper, U.S. Department of Commerce, Bureau of Census (June 1977). For purposes of computing OASDI and income taxes, this analysis assumes the potential earnings of workers will fall within the same range as the actual range of earnings, from wages or salaries only, of persons 65 or older who were employed in 1975, as reported in such working paper.

³ The analysis includes the combined amount of OASDI taxes currently imposed both on employees and employers (5.85 percent plus 5.85 percent) and takes account of the fact that such taxes apply only to income up to \$16,500.

⁴ Beginning with the 1977 tax year, taxpayers must use a new "tax table income" feature which incorporates a flat "standard" deduction and other new concepts, in order to determine their tax liability. Although the IRS has not yet published the new tax tables, the analysis projects a conservative estimate of the likely tax revenues based upon the provisions of H.R. 3477, Public Law 95-30, and assumes that earnings will fall within the same range proportionally as the incomes from wages or salaries only of persons 65 or older, as reported by the U.S. Bureau of Census for 1975.

This underestimates tax revenues since the total income of such employed older persons actually was much greater than their earnings from wages or salaries alone, causing their incomes to be pushed into higher tax brackets than those used for computations in this analysis.

Mr. GOLDWATER. Mr. President, let me really get down to what I call the nitty-gritty of this whole thing. Take myself, for example. When I choose to retire, if I want to, I can collect social security benefits in the full amount. I am one of those fortunate people who worked as the head of a corporation, who has made investments, who owns real estate. I am not a wealthy man, but I am not a poor man. Yet I can live off of my dividends, my retirement from the U.S. Senate, my retirement from my corporation, my income from investments; I can receive all the money that I can and not one dime will be deducted from my social security.

Now, what is right about that? I ask the administration, that was elected, to a large extent, on the argument that they were going to do something for the people, for human rights: What is right about this massive discrimination that allows a fellow like myself to retire and collect full social security benefits, and yet say to the man or woman who was not as fortunate as I have been in life, who did not work for a company that had retirement plans, that he or she has to live on social security alone?

Mr. President, you can do it, but you are not living even off the skinny end of the hog when you do it. I know. My State probably has a larger percentage of retired people than any other State except Florida. I listen to their troubles, and their troubles are based on the fact that they cannot live under social security alone. Many of these people are still very skilled craftsmen. Many of them can use their hands and are able to work. All they ask—all they ask—is the right to do what I have the right to do, earn some money after they retire. I am not penalized; they are.

That is all this amendment of mine is

about, when you really get down to it. It does not matter to me whether it might cost social security \$1 billion, whether it might, as I believe, bring in another billion and a half dollars to the system and to Internal Revenue. That does not matter to me. This, to me, is a matter of fairness. It is shocking to me that the administration is using all the muscle they can get together to defeat this amendment on the floor, even though the House has overwhelmingly passed it and even though millions of Americans want this.

Now, we have correspondence on our desk from the Secretary of Health, Education, and Welfare, that is so filled with inaccuracies that, knowing Mr. Califano as I do, I am convinced that he not only did not write the letter, he has never even seen it. Let me try to talk about some of the arguments they put forth.

First of all, they say the amendment is a rich man's amendment. According to the consumer income series issued by the Census Bureau in June this year, there were only 173,000 persons of age 65 and over whose total money income in 1975 was \$20,000 or more. This is only 6 percent of all older workers and even less of all older persons. Ninety-four percent made below \$20,000.

Remember, this is total income. This amount includes rental income, pensions, dividends, and other income not subject to the earnings ceiling. Actual wages subject to the ceiling average about \$4,500—hardly a rich person's income.

Even if we look at total family income, which includes the combined incomes of three or four or five family members, the Census Bureau report shows that only 11 percent of all families headed by older workers had combined incomes of \$20,000 or more—11 percent of those people retired. So the statistics being

used against the amendment, Mr. President, are all wrong. This is nothing new to this body.

It is nothing new to this Senator.

I introduced an amendment to this effect through the last three Congresses. I have never been allowed to testify on it at hearings devoted just to the earnings test. I have never been given the courtesy of that. I have heard nothing but arguments against it.

Then we decided to take the bull by the horns and introduce it as an amendment and see what would happen.

I want to further point out that even older persons with higher incomes are entitled to their benefits. They have paid the maximum payroll taxes and have an earned right to receive their social security checks just the same as other workers do.

Mr. President, those are my basic, primary arguments on this.

As noted, it is not, to me, a question of how many dollars we are talking about because the social security system already is in rather bad shape, but that does not make any difference to the person who paid his money in.

Yes, he would like to know how bad the shape is and where the money went, but we have not been able to tell him.

But that does not alter the fact that we owe that person the money he has paid in.

Mr. STONE. Mr. President, I rise in support of Senator GOLDWATER's amendment and would like to commend him for his leadership on this very important issue.

It has been said that the true test of a society is the way in which it treats its senior citizens. The earnings test, which is currently a part of the Social Security Act, has caused great physical and mental harm to older Americans. This

amendment would dispense with this unfair practice.

Under present law, the social security recipient who is between 65 and 72 years of age is denied \$1 in social security payments for every \$2 earned over \$3,000 a year. This means that a social security beneficiary who receives the average \$206.58 monthly payment loses all social security benefits if he or she earns \$7,717 in a year.

This provision forces many senior citizens, who are able and willing to work, to retire or limit drastically their earnings in order to receive social security benefits. This is a terrible injustice to American working men and women who have been led to believe that social security benefits will be paid to them as a matter of right when they reach a certain age. This right is earned by years and years of payroll deductions and matching payments by employers.

In view of the continuing rise in the cost of living, we must recognize that social security alone does not provide enough money for many people to live on. We should remove the legal barrier for those who can help provide for themselves. Can we afford to waste the specialized skills of our senior citizens by discouraging them from working? Do we wish to force our senior citizens to live unproductive lives when they have further energy and ambition? I do not think so.

Congress originally intended social security to be a supplemental security program. People were encouraged to add to their social security protection through private pension plans, savings, and continued employment. At present, however, the law nearly forces people to fall into the ranks of the indigent in order to receive benefits. This bill would reaffirm Congress original intent.

Mr. GOLDWATER. Mr. President, I am going to reserve the remainder of my time.

Mr. THURMOND. Will the Senator yield 5 minutes to me?

Mr. GOLDWATER. The Senator from Texas asked me to yield first, and I will yield to him.

Mr. BENTSEN. Not on the Senator's time, because I am speaking on the other side and I do not want to impose on the Senator's time.

So I ask the manager of the bill to yield time to me, if he will.

Mr. NELSON. I am sorry, I was discussing something with the Senator from Missouri.

Mr. BENTSEN. Will the manager yield me 10 minutes?

Mr. NELSON. I yield the Senator from Texas 10 minutes.

The PRESIDING OFFICER. The Senator from Texas.

Mr. BENTSEN. Let me say, when I first came to the Senate I certainly supported the viewpoint of the Senator from Arizona and thought we ought to take the limitation off entirely. But I do think we run into some economic constraints that now require us to put some limitations on how far up we can go in raising this limitation on earnings.

The amendment that has been put in the Finance Committee bill is my amend-

ment. That amendment would increase the current limitation of \$3,000 to \$4,500 in 1978, and to \$6,000 in 1979. After that, it would increase by inflation to try to take care of it.

But one of the things that the amendment of the Senator from Arizona does not do, and that the House bill did not do, is take care of the disabled and take care of the dependents.

We would have a very substantial number of people who would still have the same constraints that we have under the present law. We would have 6 million people that would be limited to \$3,300 in earnings. Six million people, dependents and survivors, that would still be under the current legislation.

My amendment takes care of that. We provide that they will come under the \$4,500 in 1978, go to \$6,000 in 1979.

Let me give some examples as to how far we could go in the earnings under my limitation on earnings.

At the \$12,000 earning level, a couple would have benefits before reduction of \$9,209. The amount that would be withheld would be \$3,000. They would get \$6,209.

Now, that plus their earnings of \$12,000 would mean that couple get a maximum of \$18,209.

Those are the kind of earnings and benefits they could have under the Bentsen amendment to the Finance Committee's report.

I think it is unfair and unrealistic to talk about forcing people to retire at 65. I believe we ought to encourage them to continue to be as active and productive as possible, and every year I get a little more enthusiastic about that position.

Sixty-five was chosen as a mandatory retirement age in the 1880's when average life expectancy was far less than it is today.

Senator CHURCH, with his committee and the studies he has made and the proposals he has made, has been one who has laid it on the line in helping people to be active and continue to be productive for several years.

As I stated, I have been on record as to eliminating that earnings limitation as Senator DOLE and Senator GOLDWATER propose it. But I changed that position because we are talking now about \$1 billion addition in cost. We are talking about a 0.06 addition to the cost, the increase we have already made for the employees and the employers. It is burdensome enough as it is, and that transfer of income is going to be made from people generally of moderate incomes to those generally who are having rather substantial incomes after retirement.

Our work force currently numbers about 92 million people. Out of that number, some 88 million pay the taxes that support nearly 22 million social security beneficiaries, people over 65, widows and their dependents, and the disabled.

Our best information suggested only about 15 percent of those over 65 continue to work. Perhaps 1.3 million of those who work past the age of 65 earn more than the current exemption of \$3,000. When we realize that it is \$6,000, then we are talking about 650,000 people, that is how many are benefiting, 650,000

people, if we go above the \$6,000 limitation that I put on it in the Finance Committee.

But I will say who we are taking it away from, we are putting additional constraints on 6 million dependents and survivors who will still be under the \$3,300 limitation.

Mr. NELSON. Will the Senator yield?

Mr. BENTSEN. I am delighted to.

Mr. NELSON. The Senator is making a very good point. Not only does the amendment deprive potential beneficiaries who are at a lower retirement income than those who are benefiting, but paying for that increased cost is the worker who is earning the average wage of \$10,000 a year. That worker is going to have to make up the extra cost of \$1 billion a year in order to provide full retirement benefits for somebody else who is working at \$20,000, \$30,000, or \$40,000. Doctors, lawyers, engineers, and those people are going to be permitted to draw the maximum social security retirement, which is \$890 a month, or \$8,400 a year rounded off.

Average wage earners are going to pay the cost of that extra billion dollars when, ironically, they themselves are working at a wage level so low they will never be affected by the removal of the earnings limitation.

I think that is the real outrage of the amendment because, as the Senator knows, those who are now working are supporting those who are presently retired.

Those working are supporting those retired. Doctors, lawyers, engineers, professors, who are permitted to work until age 70, make \$25,000, \$30,000, \$40,000, or \$150,000 a year. They contribute not a penny to this increased cost because when they were contributing to social security the retirement earnings limit was \$3,000.

Under the amendment, a \$10,000 a year worker is being asked to contribute payroll taxes so that a \$100,000 a year income lawyer, doctor, or engineer can draw \$8,400 tax free in retirement. That is an outrage.

Mr. BENTSEN. If we are talking about that kind of tax-free return—say, \$8,400—that would be the equivalent of a municipal bond that we would be granting to them here today, if we voted for that, of \$140,000.

Mr. NELSON. That is like giving wealthy older persons a \$150,000 municipal bond, earning around 5.5 percent, so that they can draw the income from it.

Mr. BENTSEN. It is a little early for Christmas. We are just facing up to Thanksgiving. We should not be talking about Christmas this early in the year. We are talking about giving them, in effect, a \$130,000 municipal bond, the equivalency of that, if we give them that kind of return.

We are talking about people being cared for rather well in this situation.

I made the point earlier that the maximum benefits paid to a couple, the benefit before the reduction, was \$292. If only \$3,000 of that were withheld, with their \$12,000 earning, they would be up to \$18,209.

The PRESIDING OFFICER. The time of the Senator has expired.

Mr. BENTSEN. May I have an additional 3 minutes?

Mr. NELSON. I yield the Senator 5 additional minutes.

Mr. BENTSEN. Mr. President, I want to encourage people to continue to work past 65, and I want to encourage the widows and the teenagers to work and still get social security. But when we consider taxing 88 million people to try to get additional money to 650,000 people over 65 whose earnings exceed even the present retirement test level, I think we should think carefully about such a policy.

I believe that we should employ the limited resources available to us to provide incentives to people with lower incomes, lower social security benefits, to work past the age of 65.

The Senator from Arizona states that this will be recompensed to the Treasury because people will earn more money and pay more taxes. But the problem is that they do not pay it back into the social security fund.

So what do we have to do? We have to raise it on the people who are working today, to be able to say actuarially that the social security fund is solvent and to say to the elderly people of this country that their savings will not turn to dust; that those savings are going to be there, waiting for them, as they retire.

Mr. President, I believe that what we have done in the committee is an equitable proposal and is fair to the taxpayers. It has been endorsed by the National Council of Senior Citizens; by the Secretary of Health, Education, and Welfare, Mr. Califano; by President Carter.

The Senate has been debating the question of earnings limitations ever since 1935. The original Social Security Act stipulated that a person could not receive benefits and earnings in any one month. Then, in 1939, we liberalized that retirement test, so that a person earning \$14.99 per month still could collect benefits. The law was revised 12 more times, and in 1972 we adopted the current provisions increasing the earnings limitation by the cost of living on an annual basis.

Remember, what I am talking about here is that the Bentsen amendment raises it almost double by 1979.

At no time during the 42-year consideration of this issue has Congress agreed to remove the earnings limitation entirely, and for good reason.

So I urge my colleagues to continue their traditional support for an earnings limitation; but I also urge that this figure be revised so as to provide additional incentives to people over 65 to remain in the work force, so as to allow these people to earn a more decent and productive retirement.

Mr. President, I yield back the remainder of my time to the manager of the bill.

The PRESIDING OFFICER. Who yields time?

Mr. GOLDWATER. I yield the Senator from Kansas whatever time he requires.

Mr. DOLE. Mr. President, I thank the distinguished Senator from Arizona for yielding.

I have listened carefully to the Senator from Texas. As one who supported his amendment in the Finance Committee, I certainly do not have any quarrel with the Bentsen amendment.

When we start tossing around figures of 6 million, or 3 million, or 2 million, I think it is well to suggest that we do not cover early retirees, age 62 to 65.

The Senator from Texas said that the disabled are not covered under our amendment. The fact is, the disabled are not subject to any limitation. If they start earning a lot of money, there may be a determination on whether or not they are totally disabled.

We do not cover minor children, and I understand that minor children make up about 3 million of the 6 million to which the Senator from Texas was alluding.

We get down to the question of whether or not we want our senior citizens, who have been paying social security tax for 40 years, to have the right to earn more money when they reach 65. That is all the Goldwater-Dole amendment does.

We have an opportunity, under the Goldwater amendment to raise the limit. The limit would be \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981 and then unlimited.

There is going to be an offer by the distinguished Senator from Idaho to gut the Goldwater amendment. He is going to take 5 years of benefits away from senior citizens.

I hope the Grey Panthers are listening as well as the National Association of Retired Teachers and the American Association of Retired Persons, when we see these efforts to cripple the Goldwater amendment, which has been in some form sponsored by some 40 Senators.

I hope that when we vote, we will look at the facts. There has been talk about the great cost of this amendment. The amendment in the committee bill, to 1987, costs \$24.8 billion. The Goldwater amendment, for the same period, costs \$24.9 billion—\$100 million more. That is all for the next 10 years. So we are not talking about billions and billions of dollars in extra cost.

As the distinguished Senator from Arizona pointed out, these are going to be taxpayers, who will pay tax back to the Government.

Mr. President, I ask unanimous consent to have printed in the Record the facts and figures on the social security retirement test.

There being no objection, the material was ordered to be printed in the Record, as follows:

SOCIAL SECURITY RETIREMENT TEST

Calendar year	Goldwater-Dole amendment			Senate Finance Committee bill
	Present law	Under GS	65 and over	
1978-----	\$3,240	(1)	\$4,000	\$4,500
1979-----	3,480	(1)	4,500	6,000
1980-----	3,720	(1)	5,000	6,480
1981-----	3,960	(1)	5,500	6,960
1982-----	4,200	(1)	(2)	7,440
1983-----	4,440	(1)	(2)	7,920
1984-----	4,680	(1)	(2)	8,400
1985-----	4,920	(1)	(2)	8,880

Short-range costs (billions)			
Calendar year	Goldwater-Dole amendment		Senate Finance Committee bill
	Present law	Under GS	65 and over
1978-----	\$0.3		\$0.8
1979-----	.5		2.0
1980-----	.6		2.4
1981-----	.6		2.5
1982-----	3.4		2.6
1983-----	3.7		2.7
1984-----	3.8		2.8
1985-----	3.9		2.9
1986-----	4.0		3.0
1987-----	4.1		3.1
Total-----	24.9		24.8

* Excludes effect of elimination of monthly measure.

¹ Same as present law.

² No limit.

Note: Long-range (75 yr.) costs—House bill: 0.23 percent of payroll. Senate Finance Committee bill: 0.17 percent of payroll.

Mr. DOLE. Mr. President, if we look at the long-range 75-year costs, the House bill would be 0.23 percent of payroll; the Senate Finance Committee bill would be 0.17 percent of payroll.

I believe that once the amendment is understood, it will be accepted. As the Senator from Arizona pointed out, the earnings limitation is arbitrary.

We would tell the American working men and women who have worked for 40 years and paid into the system for 40 years:

After you have paid in for 40 years, you have to meet a means test. If you make over a certain amount, you have to pay back some of your social security.

Right now, 23 percent of all the money under the social security component goes for welfare programs for which people do not get back any benefits.

We are talking about a class of Americans who have worked all their lives and reached 65; and come 1982, Senator GOLDWATER and 40 other Senators say there should not be any earnings limitation.

If you own a bank, if you own stock, if you have investment income, you could have a million dollars a year in income and at age 65 still receive your social security. No one quarrels about that. But the argument is that this is not an income transfer program. This is a retirement program.

Why should people who have paid all their lives, who have reached 65, who still want to work, or still want to teach, or who still want to practice a profession, man, or woman, be discriminated against? That is really what the amendment is all about.

So I suggest we address the problems. The earnings limitation now is about 50 percent of the poverty level; that is how low it is. The limitation deprives the economy and the work force of people who want to work. It is not enough to stand on the floor of the Senate and say that we think people should have that right. They will not have that right unless we give them that right.

That is precisely what happened in the House of Representatives. By a vote of 269 to 148, a margin of 121 votes, an amendment almost identical to the amendment offered today by the Senator from Arizona was agreed to and agreed to over the objection of the leadership; and agreed to over the objections of the distinguished chairman of the House Committee on Ways and Means—because Republicans and Democrats alike in the House understood the needs of a special class of people.

If the Senator wants to talk about figures, this amendment effects about 21 million people not just the 1.8 million referred to in some of the material made available.

The Senate recently added new protection against age discrimination in employment. I suggest that action is rather useless unless we back it up with some action and demonstrate to those of that age category that they are not the forgotten Americans. They do not have to go into the back somewhere and stay hidden from view. They are productive Americans. They have great potential. We need their assistance.

It seems to me that by having some arbitrary means test, some demeaning test, some limiting test on American senior citizens, we are saying:

You are second-class. We don't care whether you paid for 30 years, 40 years, or 45 years. You are second-class citizens.

You cannot go out and earn money because you do not meet the test that is imposed. I think we deprive our senior citizens of independence. We cause them to rely on Government. It just seems to me that it is time to take some action.

Mr. CURTIS. Mr. President, will the Senator yield to me for a unanimous-consent request?

Mr. DOLE. I yield to the distinguished Senator from Nebraska for a unanimous-consent request.

Mr. CURTIS. Mr. President, I ask unanimous consent that, in the order of amendments to be called up, following the amendment offered by Senator DeCONCINI, the Senator from Nebraska, now speaking, be recognized for an amendment and the amendment of Senator THURMOND, who holds that place, follow Senator ROTH.

Mr. GOLDWATER. Mr. President, reserving the right to object, let me get it straight. It was my understanding that following the disposition of this business the Senator from South Carolina would be recognized, then Senator ROTH would follow him.

Mr. CURTIS. The Senator from South Carolina has agreed to yield to me and change places.

Mr. CHURCH. Mr. President, reserving the right to object.

Mr. CURTIS. It does not disturb the Senator's amendment.

Mr. CHURCH. I want to just add to the unanimous-consent request that following disposition of all of the amendments for which the Senator has made the request my amendment and another amendment with which the Senator is familiar relating to adjustments in benefits in inflationary years on a 6-months basis rather than an annual basis might follow in sequence.

Mr. CURTIS. Yes. My amendment, then ROTH, then THURMOND, and then CHURCH.

Mr. RIBICOFF. Mr. President, reserving the right to object, am I correct that the amendment that Senator THURMOND was going to offer was the amendment that there was going to be a short colloquy on between Senator THURMOND and myself? If that is the case, I would hope that the order would not be changed, because it will only take 2 minutes, and I may have to leave, I say to the Senator from South Carolina, before he can present it under these circumstances and I would not be able to engage in the colloquy with him, and I think he would like that.

Mr. THURMOND. Mr. President, we can take the 2 minutes right now if there is no objection. All it will take is 2 minutes. I ask unanimous consent that we bring up this amendment and take not over 3 minutes at the outside.

Mr. GOLDWATER. Mr. President, reserving the right to object.

The PRESIDING OFFICER. The Senator from Arizona reserves the right to object.

Mr. CURTIS. Mr. President, I withdraw the request.

Mr. GOLDWATER. I would suggest they take time off the bill. I do not anticipate using all of my time. I do not want to be caught in the position where my amendment is out of order.

Mr. THURMOND. I ask unanimous consent that the time come off the bill.

The PRESIDING OFFICER. There is no time on the bill.

Mr. ALLEN. Mr. President, reserving the right to object to this request, and I shall not object.

The PRESIDING OFFICER. The Senator from Alabama.

Mr. ALLEN. I ask unanimous consent that amendment No. 1619 be considered after the amendments that already have priority or are disposed of.

The PRESIDING OFFICER. Is there objection?

Mr. CURTIS. Mr. President, reserving the right to object, I add to my request. I thought it would clarify things but it is taking a little different turn now.

Mr. DOLE. Is this coming out of my time?

Mr. CURTIS. I ask unanimous consent it not be charged to his time.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Nebraska.

Mr. CURTIS. Mr. President, I ask unanimous consent that the order of amendments when we finish the pending one be any substitute offered by Senator DeCONCINI, Senator ROTH, Senator

CURTIS, Senator CHURCH, and then Senator ALLEN.

Mr. ALLEN. That is all right. I just want to get on the list.

The PRESIDING OFFICER. Without objection, it is so ordered. But the Chair points out that the Senator from South Carolina is not on that list.

Mr. CURTIS. He is disposing of it now.

Mr. RIBICOFF. I thought the Senator from South Carolina wanted to handle the matter in 2 minutes and was going to ask for it now, and I ask unanimous consent he may be able to proceed without taking any time from the Senator from Kansas.

Mr. DOLE. The Senator from Kansas certainly agrees to that.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from South Carolina.

UP AMENDMENT NO. 1053

(Purpose: To permit military service performed after 1956 to be credited under the civil service retirement program if the civil service annuity is offset by social security benefits received for the same service.)

Mr. THURMOND. Mr. President, I send to the desk an amendment and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

The Senator from South Carolina (Mr. THURMOND) proposes unprinted amendment No. 1053.

Mr. THURMOND. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place insert the following new section:

Sec. . (a) Section 8332(j) of title 5, United States Code, is amended to read as follows:

"(j) (1) Notwithstanding any other provision of this section, the period of an individual's service as a volunteer under part A of title VIII of the Economic Opportunity Act of 1964, and the period of an individual's service as a volunteer or volunteer leader under chapter 34 of title 22, shall be excluded in determining the aggregate period of service on which an annuity payable under this subchapter to the individual or to his widow or child is based, if the individual, widow, or child is entitled, or would on proper application be entitled, at the time of that determination, to monthly old-age or survivors benefits under section 402 of title 42 based on the individual's wages and self-employment income. If the service as a volunteer under part A of title VIII of the Economic Opportunity Act of 1964 or as a volunteer or volunteer leader under chapter 34 of title 22 is not excluded by the preceding sentence, but on becoming 62 years of age, the individual or widow becomes entitled, or would on proper application be entitled, to the described benefits, the Civil Service Commission shall redetermine the aggregate period of service on which the annuity is based, effective as of the first day of the month in which he or she becomes 62 years of age, so as to exclude that service. For the purpose of this subsection, the period of an individual's service as a volunteer or volunteer leader under chapter 34 of title 22 is the period between enrollment as a volunteer or volunteer leader and termina-

tion of that service by the President or by death or resignation, and the period of an individual's service as a volunteer under part A of title VIII of the Economic Opportunity Act of 1964 is the period between enrollment as a volunteer and termination of that service by the Director of the Office of Economic Opportunity or by death or resignation.

"(2) Notwithstanding any other provision of this section, under regulations prescribed by the Civil Service Commission with the concurrence of the Secretary of Health, Education, and Welfare, in any case where an individual performed military service (except military service covered by military leave with pay from a civilian position) after December 1956, and he (or his widow or child) is or becomes entitled, or would on proper application be entitled, to monthly benefits under section 402 of title 42 based on his wages and self-employment income, the Civil Service Commission shall exclude from the annuity payable to him (or his widow or child) under this subchapter an amount equal to that portion of the monthly benefit (to which he or his widow or child is entitled under section 402 of title 42) which is attributable to his military service.

"(3) The Secretary of Health, Education, and Welfare, on request of the Civil Service Commission, shall inform the Civil Service Commission whether or not the individual, widow, or child described in this subsection is entitled at any named time to the described benefits."

(b) (1) Except as provided in paragraph (2), the amendment made by subsection (a) shall apply only in the case of annuities to which individuals become entitled on or after the date of the enactment of this Act.

(2) (A) Upon the written request to the United States Civil Service Commission (filed in such form and manner and containing such information as the Civil Service Commission shall by regulation prescribe) by any individual receiving an annuity before the date of the enactment of this Act to have the amendment made by subsection (a) apply to such annuity—

(i) the provisions of section 8332(j) of title 5, United States Code, as amended by subsection (a), shall apply to such annuity, and

(ii) the Civil Service Commission shall recompute such annuity by redetermining the aggregate period of service on which the annuity is based so as to include military service excluded under such section 8332(j) as in effect on the day before such date of enactment.

(B) Any annuity which is recomputed under subparagraph (A) shall be effective with respect to payments of such annuity for months after the month in which this Act is enacted and no payment of any such annuity for any month prior to such month shall be considered erroneous by reason of this paragraph.

(C) The Civil Service Commission shall take such actions as may be necessary to notify individuals receiving an annuity before the date of the enactment of this Act of the provisions of this section.

Mr. THURMOND. Mr. President, it is disappointing to note that the new social security bill fails to deal with a problem caused by the current social security law, known as Catch-62. It is the enforced loss of sizable amounts of retirement income beginning at age 62 for veterans who combine their military and civil service time for retirement from Federal Government.

The term Catch-22 came into our language after World War II. It describes a situation from which there is no es-

cape. In 1956, Congress, in passing a modification to the social security law to include the uniformed services, inadvertently created what has come to be known as Catch-62. I am proposing an amendment to correct this injustice.

Mr. President, Catch-62 applies only to veterans, and not just military retirees, who later retire from being employed by the Federal Government. Like other Federal employees, veterans can elect retirement at 55 and count all service to the United States for retirement, but at age 62 they lose credit for their military service after 1956.

These veterans find themselves caught between two different Government retirement systems. Their problem stems from being forced to contribute to social security after 1956, while in military service at relatively low pay, but being prevented from earning social security credits while in Federal employment at higher wages.

Mr. President, the social security bill before us fails to address this problem. Although a corrective amendment was germane to the House bill, the House Rules Committee restricted amendment actions. Testimony by experts in the House Ways and Means Subcommittee supported corrective action. Correction of this inequity is long overdue. Although the executive branch of the Government has not developed detailed costs of this measure, previous reports indicate that costs would be nominal.

Mr. President, I am confident that my distinguished colleagues would like to go on record in supporting this amendment to remove a grossly unjust provision of the law which singles out a certain group of veterans to penalize, because they paid to the social security program. I am strongly in favor of the social security program being put on a solvent basis, but I am not in favor of a certain group of veterans being penalized to help the social security program from going bankrupt.

My amendment would remedy this inequity by providing that a veteran face no loss of income when he reaches age 62. Under my amendment, the veteran would receive a social security check, but his civil service annuity would be decreased (or offset) by the amount of social security received. This is not a double-dip. The retiree would receive the same amount of compensation as he did prior to his 62d birthday—no increase or decrease.

The following organizations support an amendment to correct an inequity in the social security law which discriminates against veterans who work for the Government:

The National Association for Uniformed Services (NAUS),

The American Federation of Government Employees (AFGE),

The American Association for Retired Persons—the National Retired Teachers Association (AARP-NRTA),

The Fleet Reserve Association (FRA),

The Retired Officers Association (TROA),

The Air Force Sergeants Association (AFSA),

The Diplomatic and Consular Officers Retired (DACOR).

The Disabled American Veterans (DAV),
The National Association of Rural Letter Carriers (NARLC),
The Marine Corps League.

It has been reported to me that the Department of Defense supports this measure.

In the House of Representatives, Congressman CHARLES E. BENNETT has introduced similar legislation. His bill, H.R. 767, has considerable support in the House.

It is my understanding that the Honorable THOMAS P. O'NEILL, the Speaker of the House, has committed his support when H.R. 767 is reported favorably by committee to the House.

Mr. President, I strongly urge unanimous approval of this amendment.

Mr. RIBICOFF. Mr. President, the amendment which the Senator offers is not related directly to social security. Instead, it is an amendment to title V of the United States Code which is properly in the jurisdiction of the Committee on Governmental Affairs. Earlier this year the Senator introduced a bill, S. 245, which would accomplish the same purpose as his amendment. I am told by the junior Senator from Tennessee (Mr. SASSER), who is necessarily away today, that he would hold hearings on the Senator's bill in the course of studying other retirement-related legislation.

The amendment which the Senator offers would credit an individual's years of military service after 1956 toward civil service retirement rather than social security retirement. Under current law, time spent by Federal employees in the military service before or during their Federal employment is generally creditable service under the civil service retirement system. Employees make no contribution to the retirement fund to cover their military service time even though the same amount of retirement credit is granted for years in the military as for years of civilian employment during which contributions are made.

Since January 1, 1957, military members have been required to make social security contributions from their pay. If a civil service retiree become eligible for social security benefits his civil service annuity is recomputed and his military service after December 31, 1956, is excluded from the annuity computation. The law, in effect, requires that military service performed after 1956 be credited to social security when a retiree is eligible for benefits under both programs.

I am concerned because of the lack of information available as to the number of Federal employees who would potentially be affected by this amendment. The estimates which we have from the National Association for Uniformed Services is anywhere up to 112,000 Federal workers. These individuals would be able to credit their years of military service toward civil service retirement without having made the required contributory payment to the retirement fund. Therefore, we have no information available with which to judge the potential effects on the unfunded liability of the civil

service retirement fund. They could be substantial.

I know the Senator shares my concern that we should have these facts before we take action. I want to emphasize that I, too, am concerned that Federal employees who have served in the military receive equitable retirement benefits. For this reason, if the Senator is willing, I would ask the Senator from Tennessee to hold early hearings on his bill in the next session. Hopefully, the hearings will produce a body of testimony to support the Senator from South Carolina's proposal.

Mr. THURMOND. Mr. President, in view of the statement and assurances by the able and distinguished Senator from Connecticut, I will withdraw the amendment.

The PRESIDING OFFICER. The amendment is withdrawn.

UP AMENDMENT NO. 1052

Mr. DOLE. Mr. President, the charge is going to made time after time, and I can hardly wait for the Senator from Wisconsin to make it because he does it so eloquently, that this is a rich man's amendment. That is one way to divide some on the Senate floor. According to the Consumers Income Series issued by the Census Bureau this year there are only 173,000 persons 65 years and over whose total money income in 1975 was \$20,000 or more. This is only 6 percent of all older workers who earn income. Ninety-four percent made below \$20,000. This is total income. That includes rental income, dividends, interest, pensions, and other income not subject to the ceiling. Actually wages subject to the ceiling average about \$4,500, hardly a rich person's income.

If we look at the total family income, which includes the combined incomes of three or four family members, the Census Bureau report shows only 11 percent of all families headed by older workers had combined incomes of \$20,000 or more for all families who had earned income. So statistics which may be used against this amendment are not correct.

Let me also point out that Members of Congress are not subject to the social security system. The President of the United States is not subject to the social security system. The Vice President is not subject to the social security system. Members of the Cabinet are not subject to the social security system. So we pass in judgment and make the policy although Congress is not even part of the system. We do not understand all the complexities and all the down sides of the system. We do not have any earnings limitation. The Senator from Kansas may offer an amendment later on today which would put Members of Congress and members of the Cabinet into this system. I make the point now to underscore the fact that 40 some Senators have cosponsored this principle. I would only repeat those for the RECORD who have either cosponsored Senator GOLDWATER's measure or have in the past introduced or cosponsored similar legislation.

The list of distinguished Senators includes myself and Senators SCHMITT,

ALLEN, DANFORTH, HELMS, HANSEN, CASE, JAVITS, DeCONCINI, HARRY F. BYRD, Jr., HATFIELD, JOHNSTON, STEVENS, THURMOND, CANNON, PELL, MAGNUSON, STONE, BARTLETT, YOUNG, MORGAN, LAXALT, DOMENICI, NUNN, RIBICOFF, STAFFORD, LEAHY, ABOUREZK, WEICKER, GARN, INOUE, CHAFFEE, LUGAR, HUDDLESTON, BAKER, ROTH, PACKWOOD, and BAYH.

So that is a fairly representative group—Republicans, Democrats, conservatives, and liberals—to indicate that there is rather widespread support for what Senator GOLDWATER seeks to do today.

So, Mr. President, I would hope that when the time comes when there is an effort to gut the Goldwater amendment by the Senator from Idaho, we can successfully lay that effort on the table.

I yield back the remainder of my time.

Mr. MOYNIHAN. Mr. President, will the Senator from Wisconsin yield me 10 minutes on the bill?

Mr. NELSON. I yield the Senator from New York 10 minutes.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. Mr. President, we have just completed action on a welfare measure which is part of the bill before us, and has to do with the amounts of earnings which welfare recipients, in the main mothers, are able to keep as an incentive to work before they begin losing benefits, and until they have finally lost their benefits altogether.

It was agreed that the present arrangements are too generous, and the Senate moved to restrict them. In that context I offered an amendment which would have enabled the so-called earned income disregard to continue in effect until a medium range of earnings.

The distinguished Senator from Nebraska pointed out on this floor, and I agreed with him, that the proposal as made would make it possible, under certain hypothetical settings, for a welfare recipient to earn up to \$16,000 and still receive welfare benefits.

This, I think, was a point made—I conceded the fact because it is a fact, but I found great difficulty explaining how such a fact could be to Members on the Senate floor, and indeed my amendment failed.

I have a moment now to suggest, however, a curious harmony, a curious symmetry; because once again we are talking about a situation in which the pensions we might make available under this bill would be available to persons whose income is in that range.

As we know, we are talking in this case, about persons whose average income would exceed the \$6,000 limit which Senator BENTSEN has proposed. We are talking about a class of persons whose income is \$17,000 on the average—curiously close to the hypothetical welfare family whose income might be \$16,000. So we have moved from the subject of welfare for the poor to the subject of welfare for the rich. That is a term I do not often use. I find that the formulation is rather too easy and is, perhaps, too frequently used. But since the thought is conceivable, welfare for

the rich as a reality appears to be before us now in a very explicit form.

We just defeated, Mr. President, a measure involving the earnings disregard, on the ground that welfare benefits should not continue to the level of \$16,000 of income. But let us remember what the welfare payment to a mother earning \$16,000 would be. The last benefit on the declining scale would be \$1. It is, however, a dollar, and there were many who found that an inappropriate arrangement, and my amendment lost.

The next amendment would provide benefits to a group of persons of comparable income. We are not in the least appalled that they might get, not a dollar of welfare, but, being of an age over 65, we are proposing, on an average, to give such persons \$8,400.

We just reeled back in horror at the thought of a welfare mother receiving \$1 if her income is \$16,000; and we now move, right on top of that, to give \$8,400 to other persons whose incomes average \$17,000.

Mr. President, there is a disharmony between these acts. There is a symmetry of circumstance, and I would argue that if it seems so unworthy to provide such largess to the welfare recipients, how could it not be equally inappropriate to do so for persons who, by definition, are not in any financial difficulty?

I would like, Mr. President, to make two points here. The question is, are people automatically entitled to receive back the contributions they make to the social security fund? If, Mr. President, this is an insurance system, it insures against loss of income, and it is inherent in most insurance propositions that the most fortunate do not ever have to claim benefits. Yet in social security, persons who never lose their incomes to a level below that which we can consider the minimum have had, since 1935, total claim on the insurance that they have paid for by contributions to the social security trust fund.

But a second point, and perhaps a most important one, is to be clear—maybe this is an inopportune thing to say, and I ask the Senator from Wisconsin to forgive my bringing the subject up, but surely no one is under any illusion as to the origin of the benefits we are adopting. The decision we have made to go to a system whereby employers pay a very much larger share than employees we have justified ourselves on the ground that employers can deduct it from income taxes, and in a very real sense there may be a very large decline in the income tax revenues of the Federal Government from the graduated income tax under those circumstances. One of two things will happen: There will be less money available for other programs, or taxes will have to be increased to replace that which has been lost owing to contributions to the trust fund.

Mr. President, it does not stretch reason or fact to say that these increased benefits are going to be paid out of income taxes that may be greatly reduced as a result of the impact of this measure on the American political economy.

If you were to ask the political economists, "What will be the single place

most affected by this decision?" they would say, "Internal revenues of the United States." We are proposing, in a 5-year period, to take \$23 billion, in effect, out of the income tax system and transfer it to a very small group of persons who are comparatively well off.

It is an extraordinary measure. A Senate which reeled back in some alarm that a welfare family might receive a dollar—one dollar—goes on with much enthusiasm to provide the well-to-do older persons in this country with an extraordinary transfer of wealth from the working population at middle-income levels to this retired, but still active, older population of high-income levels.

Mr. President, I do not know how we are going to explain this if we do it. I can think of persons right now in New York City who would be very distressed if they were to hear me making this speech.

I can tell you who would benefit from this measure in my city. Take the five most senior partners in the 50 largest, most prosperous Wall Street law firms. There is \$8,400 more per year in it for every one of them, tax free. They are not very much interested in this legislation. But they would benefit.

Find me a 65-year-old partner in Cadwallader, Frisbie, Humphrey, and Splink, and here we come, \$8,400 tax free. If that is not welfare for the rich, Mr. President, I wait a more convincing illustration of the proposition.

I have sometimes disdained those people who claimed that such things went on because I thought their imaginations were perhaps incorrect in the matter. I must say I rise in tribute to life imitating rhetorical art.

Thank you, Mr. President.

The PRESIDING OFFICER. Who yields time?

Mr. GOLDWATER. I yield to the Senator from South Carolina, Mr. President.

Mr. THURMOND. Mr. President, I join the distinguished Senators from Arizona and Kansas and other Senators in their effort to phase out the present restrictions on outside earnings by social security recipients over the age of 65.

Mr. President, there is no question as to the impact of this limitation. Many older persons are being pressured into not working for fear of losing their benefits. As a result an untold amount of valuable skills acquired through many years of hard, honest work are totally lost to our country.

Such a limitation is in direct contradiction of a fact widely accepted by the Federal Government, gerontologists, and others concerned with the health of the elderly. That fact is that the hiring and retention of older workers in all aspects of the economy is very "good medicine" for the elderly. It should be encouraged in every way possible, and removing this limitation is one way to accomplish this objective.

Mr. President, in my opinion, this aspect of the social security system is extremely inequitable. Investment income is not recognized when determining whether an individual's social security shall be reduced. This allows a wealthy man who received thousands of

dollars a year in interest income to collect his full social security benefits. However, the average man who never had the time, much less the money, to enter the world of investments, and who might need to continue working in order to insure the economic survival of himself or his family, cannot work without being subject to this penalty. This is simply not right.

Still, it is argued by opponents of this amendment that repeal of the limitation would primarily benefit the relatively higher income elderly, and not older persons of low income. We must recognize that the working elderly are of higher income than their nonworking counterparts solely by virtue of the fact that they work. Compared to younger workers, even the working elderly are of relatively low income. More importantly, there is a large group of hidden beneficiaries that the supporters of the earnings limitation choose to ignore. It is a well documented fact that large numbers of low income elderly deliberately hold their earnings down and drop out of the work force rather than bear the incredibly high tax rate the earnings limitation imposes. Since these people are not currently having their social security benefits reduced, they are not counted as potential beneficiaries when in fact repeal of the test will permit these people to earn additional income to supplement and improve their standard of living.

It is said that removal of the earnings limitation will be too costly. In my opinion, this begs the question. The people who receive social security are the same citizens who have worked hard all their lives for their salaries. They have not been on the welfare rolls. These people are the backbone of America—they are the men and women who believe in America and have quietly and loyally contributed their fair share to the social security program all their lives. To deny them the fruits of their labors now, when they need it most, is not only illogical, but unjust.

Mr. President, let us remove this obstacle which stands in the way of thousands of our senior citizens who want to work. Work produces income and income produces tax revenue. Work contributes to the good health of our senior citizens who have many valuable skills to contribute to this country. Removal of the earnings limitation is an equitable and reasonable step.

Mr. President, I urge my colleagues to carefully consider this measure, and to join me and others in this effort to bring meaningful reform to the social security system.

Mr. GOLDWATER. Mr. President, I think the time situation is about 20 minutes on each side.

The PRESIDING OFFICER (Mr. ALLEN). The Senator is correct.

Mr. GOLDWATER. Mr. President, I yield myself 5 minutes.

Mr. President, I have not heard anything said in opposition to my amendment which I feel is the least bit convincing. To answer a probable charge the Senator from Texas made, that if we lift the earnings limitation those people who

are 65 who care to go to work will be freeloaders, no, that is not correct. They will have to pay social security taxes just as the younger people, and their employers will have to pay their part of social security. We are not doing anything to upset the applecart. As the Senator from Kansas pointed out, over a 10-year period there is probably \$100 million difference involved in about a \$24 billion to \$25 billion figure.

Mr. President, I get back to my argument. This is a moral argument. The average social security benefit for a retired worker is \$230 per month. The average for a couple, both receiving benefits, is \$400 a month.

Is anybody going to stand up and say this is a living income? I can tell my colleagues on this floor who may not be aware of it—though I imagine they are—that many, many social security recipients are receiving food stamps. Do they want to? No, they have to, in order to live. Giving these people the chance and the right to work, the chance to use the skills they have acquired during a lifetime, will not cost anybody any money. It is going to relieve the people of the difficulty of trying to live on social security money alone and allow them to raise their heads as they have done all their lives in paying this money.

This is not money that we are giving them, Mr. President. This is money that they have paid into the kitty. Where that kitty is does not seem to make any difference, but this is money that is owed the American worker. I repeat what I have said earlier: I do not think we have the moral or even the constitutional right to say, "Yes, we owe you this money but we are not going to pay it to you."

If the U.S. Government is going to take that attitude, I do not think they are going to have the respect of the American people too long.

Mr. President, I will just remind my colleagues we have recently completed an action on age discrimination that encourages people to work until the age of 70. If the earnings ceiling is not repealed, we will penalize these persons who remain in the labor force until age 70 by depriving them of their social security checks.

We are talking about what is fair and what is right, and what is moral. My whole argument is based upon these elements. I have not heard a single argument raised against that argument.

Mr. NELSON. Mr. President, I think we have heard about every argument on each side of this issue. What I will say briefly will be repetitious for emphasis.

I point out that the reference was made by Senator BENTSEN earlier that the National Council of Senior Citizens is deeply concerned about the retirement problem in this country.

It is their full-time concern. It was, until recently, headed by Nelson Cruikshank, and there is no more distinguished gentleman in this field. They made a statement in March on this question in a pamphlet on the retirement test in social security. Here is what this group, representing a large number of retired people, had to say. Obviously, I

need not suggest that they are not against retirees. That is whom they represent. From that pamphlet I quote just one brief paragraph:

It would appear evident that the elimination of the retirement test in the social security program is neither practicable nor desirable, since it would help a relatively small number who are least in need and deprive a very large number, including those most in need, of the benefit of possible improvements in the program.

There is simply no doubt about that. If we eliminate the retirement test entirely, the cost is \$4 billion a year when it is totally eliminated. That compares with a cost of \$3 billion a year under the \$6,000 retirement earnings limitation that the Committee on Finance has sent to the floor in its bill. When average wages rise, so will the \$6,000 earnings limitations under the committee bill.

That extra \$1 billion should, in my judgment, be used to help those who are in the lower retirement and average retirement levels.

Now, the statement is repeatedly made that those people who have retired earned this income; that those who are over the retirement limitation level earned their pension, and, therefore, should receive it. As Senator MOYNIHAN has pointed out, this is not an annuity program; it is an insurance program.

Of course, it can be converted. That is what is about to happen here if the amendment prevails. Under an ordinary insurance program in which you buy your own annuity, if the owner of the annuity dies, that money goes to the estate—whether it is a first cousin, second cousin, whatever relative may be left. Here, if there is no beneficiary of that retiree who dies, the money remains in the fund. If there is no dependent, it is not taken out of the fund and put into an estate that ultimately goes to first and second cousins; because that was not the purpose of this social insurance program.

If we want to convert it to an annuity program, we can. But those who have been saying social security taxes are horrendous would face a payroll tax increase much more substantial than we already have if we approve this amendment.

It was not the intent of the designers nor was it the purpose of the social security law to have an annuity program. Every Congress since 1935 has recognized this.

The liberalization in the committee bill is quite dramatic—a doubling by next year, from \$3,000 to \$6,000, which will be tied to the increase in average wages. By 1987, the retirement test will be about \$10,000.

We must recognize that this is not an annuity program, that it is an insurance program. Its purpose is to help replace lost income when people quit working. There are 650,000 people in America who are over 65 and who are earning enough income so that they will lose some or all of their retirement benefits. Under the committee bill, you can earn \$22,000 before you lose all of your retirement benefits under the \$6,000 limitation if you are married and receiving

maximum benefits. And \$22,000 is better than twice the average income of the worker who is supporting the system.

That doctor, that lawyer, that engineer, that professor, that professional man, that manager of his little plant or that manager of some little industry, who is now 65, never contributed a single penny to the cost of lifting totally the retirement earnings income limitation. His contribution was based upon a cost in that fund of supporting a \$3,000 limitation, not no limitation at all. Now, since he did not contribute to the cost of that limitation, we should not now provide that we will lift it and leave it to somebody else to pay the bill.

I want to see the Member of Congress who is prepared to stand up in a public forum in any city or any community in this country and say, "Yes, that lawyer of that distinguished law firm, Mr. Jones, who is 67 years old and making \$150,000 a year practicing law, we have lifted the limit for him. He was not entitled to any social security retirement under the current law; but we lifted the earnings limit so we are going to give him \$8,400, tax free on top of his \$150,000. You fellows and women, working down in that plant getting \$10,000 a year, are going to pay for it."

What kind of income transfer is it that takes from the poor and gives to the rich?

Mr. MOYNIHAN. Will the Senator yield?

Mr. NELSON. Yes.

Mr. MOYNIHAN. I rise to support the Senator's proposition and say, with respect to the average citizen who might want to ask this question of one of his legislators, that he need not make it a generalized question like: Did you give all this money to some rich people? It is not hard to know who these people are. He need simply inquire of any lawyer, what are the five largest law firms in town, and get the names of every partner who is over 65. He will know what man in Kansas City, or what man in New York City got the \$8,400.

It need not be an anonymous transfer of funds from uncertain origins to vague and confused destinations. You can know by name. Find a rich, successful, active lawyer over 65, and this bill gives him \$8,400 a year, tax free.

We shall find an extraordinary correlation, I suggest, between those Senators who will have just voted not to allow a welfare working mother to get \$1 and those who went to the very next amendment and voted that the most successful lawyers in town be given an income of \$130,000 in tax-free municipal bonds.

Mr. NELSON. I suggest to the Senator that maybe the answer is there is a distinction between the worthy and the unworthy in this society and that the richer you are, the more worthy you are.

Mr. LONG. Will the Senator yield at that point?

Mr. NELSON. I yield.

Mr. LONG. Let me ask the Senator, in view of the fact that we still have a 70-percent tax bracket—and I think that is too high, but that is where it stands—for a man making \$150,000, assuming

his dear wife was called to meet her reward ahead of him, and he is in a 70-percent tax bracket, how much would he have to make?

Mr. MOYNIHAN. To get the \$8,400?

Mr. LONG. To get the \$8,400, yes. Can the Senator tell me, he has staff assistants to help him, would the Senator say how much that fellow has to make?

Mr. NELSON. Around \$30,000—\$28,000 to be exact.

Mr. LONG. So what would be done—

Mr. NELSON. That is at the top of the bracket.

Mr. LONG. Say he is a senior partner in the law firm. He would have to win himself a big case, or maybe do something to make the law firm make some dollars. How much would he have to increase his income to net \$8,400?

Mr. MOYNIHAN. \$28,000.

Mr. LONG. He would have to increase his income by \$28,000 to get what this amendment would give him. He would get \$8,400, tax free.

Let me ask, at the time this fellow found himself in the social security program, did the program promise him this equivalent of \$28,000 a year income?

Was that a promise that was in the program when he became part of it?

Mr. NELSON. No.

Mr. LONG. So this is what we call a windfall benefit. It could be compared to the double dip some people got that we are eliminating in this bill.

When we enacted social security, nobody promised anything like that, but someone came along with an amendment that always causes people to say, "Why did we do that, why on God's green earth would Congress do something like that?"

Nobody promised this fellow \$28,000 and suddenly, one day, somebody got up and said, "Well, I think everybody ought to get it."

This reminds me somewhat of the amendment that my dear friend, the late Winston Prouty, offered here one time. He came up with the idea that anybody who was not getting a pension ought to get one. He came up with the "shoot-the-moon" amendment, as I called it, that anybody not getting a pension ought to get one.

It looked as though it would carry until I began to explain that this amendment would cost a trillion dollars. He said it could not possibly be a trillion dollars, and I said that was a minimal figure, a trillion dollars.

Under that amendment, Mao Tse-tung would get the pension, Charles de Gaulle, Nikita Khrushchev, people we do not know exist in darkest Africa, or in Asia, would get the pension, people we never heard of would get the pension. For all we knew, some Eskimo at the North Pole would get it if he found out it was offered in the United States, because the amendment failed to require that people be citizens of the United States to get the pension. Just anybody who was not getting a pension from this Government would get one. Anybody.

Fortunately, that was one little correction that, thank the merciful Lord, somebody brought to our attention.

If the Senator from Louisiana had not been here to direct attention to that fact, this Nation would be beneath the Atlantic Ocean now, the Atlantic and Pacific would have met. We would have been completely destroyed because the amendment promised pensions to everybody on God's green Earth automatically, even if he had not put a nickel into it.

But at least we have this much explanation for how that happened. That was done because nobody had thought about the matter. They just had not thought the amendment out that carefully.

But here we are today and say, "Why in the world did they give old Ben Brown, who was already making \$150,000, the equivalent of \$28,000 of additional income that nobody promised him?"

He did not ask for it, did not vote for it.

Like some people that got the Prouty pension thought you were a fool to do it. Why would you want to do something like that?

I know if we send them the money, they will not insult us by sending it back. But at the same time, they wonder why we would do something like this.

Here is an enormously wealthy person trying to figure out how to leave some money to his children or his grandchildren, spending more time on that problem than anything else, and somebody wants a way to give him the equivalent of \$28,000 additional income, \$8,400 tax-free.

It just absolutely makes one wonder. One would wonder when we have all this munificence to bestow on somebody, all this largesse, why did we not think about this poor old soul that was not getting much to hold hide and hair together—why not increase his pension a little, rather than give it to that lawyer?

How many lawyers is the Senator aware of who are senior partners in the firm, the guy whose name appears first on the door, how many of those people does the Senator know who have petitioned him to do this for them, is he aware of any?

Mr. NELSON. No, but if they think of it, they will.

Mr. LONG. Well, I do not know. I have not had one call. I would be willing to consider voting for this if one of my friends who is a senior partner in one of the firms could call and say, "Well, I've been discriminated against, treated badly, I think I ought to have this."

But I am not aware of anybody that expects it.

Of course, I must say that sometimes the best politics is not to give somebody something he has a right to, or a right to expect, because people like that do not appreciate it as much.

If we find something to give somebody who has no right to expect it, makes no sense whatever, sometimes those people are more grateful than the people that actually had a right to expect something.

Mr. DOLE. Will the Senator yield?

Mr. NELSON. On the time of the Senator from Kansas.

Mr. GOLDWATER. I will yield.

Mr. DOLE. I want to remind the distinguished chairman it was only in

the last couple of weeks the Senate passed \$40 billion of energy credits to many who did not deserve it. Many people who are rich will get the tax credits under the big energy bill we passed.

We are talking about people who have worked all their life. There is quite a difference. It is just depending who has the—

Mr. NELSON. Mr. President, how much time does the Senator from Wisconsin have?

The PRESIDING OFFICER. The Senator from Wisconsin has 6 minutes, and the Senator from Arizona has 14 minutes.

Mr. LONG. Mr. President, we did in the energy bill give some tax credits to some people.

Mr. NELSON. Is this response on the time of the Senator from Kansas?

Mr. LONG. Let me just say this and I will be through.

Yes, in that energy bill we did give some tax credits to some people who might not be expecting it. But we feel if they do something that the law says they should do, they will get this.

Look, what is the head of the law firm going to do that we should encourage him to do? Will he retire and let somebody move up the ladder? No, we give him the money to stay there and deny the other man the opportunity to move up and become head of the law firm.

Mr. NELSON. I thank the Senator.

Mr. President, how much time does the Senator from Wisconsin have?

The PRESIDING OFFICER. The Senator has 6 minutes.

Mr. NELSON. I thank the Senator from Louisiana.

I might point out in fairness to the late Senator Prouty, after the Senator's explanation that it would cost over a trillion dollars and benefit Mr. de Gaulle and Khrushchev and Mao Tse-tung, he did amend it. So it only applied to everybody in America.

Mr. LONG. That is right.

Mr. NELSON. Mr. President, I think we should take note again of the fact that the Senate passed an Age Discrimination Act which protects workers until age 70. The House also passed a similar bill. It is now in conference.

Now, imagine the situation, for example, at the University of Wisconsin—a great and distinguished university—with professors making \$30,000, \$35,000, and \$40,000 and working fulltime. These professors would be drawing \$35,000, and we would give them \$8,400 on top of that. The bill would not be paid by them, but by the worker who is averaging \$10,000 a year, and who will never earn enough to retire on that social security maximum of \$8,400 a year in any event.

The purpose of social security is not to supplement the full-time income of doctors, lawyers, professors, engineers, and owners of plants. That never was the purpose. It would be nice if you could give everybody \$25,000 a year; but if you are to offer such a benefit, let us come in with the tax to pay for it. If you have a referendum on that, you will not get many votes.

I have watched the Senate's action

with dismay for the last 2 days. I have listened to all the conservatives, all the people who are careful with the public's money, vote yesterday for a pension bill for veterans, and place it on this bill—nongermane—without hearings, with no notion of what the cost is, except that it starts at \$200 million; and when the 14 million World War II people become eligible, its cost goes to billions.

I looked at the rollcall. I could not believe it. I voted "no." But there were only 20 "no" votes in all, including all those defenders of the budget, all those fiscal conservatives, are on that rollcall. Then we come along and take \$2 billion a year, when it is in full bloom, out of the general fund, for Senator DANFORTH's amendment to assist State and local governments and other nonprofit organizations.

Look at the rollcall. All the conservatives who talk the most about fiscal conservation, voted to approve the Danforth amendment. Why? Because the general fund is some kind of amorphous, vague fund, someplace that nobody has to put money in, I suppose.

I am carrying those two rollcalls along with me in Wisconsin; and when my constituents talk about me as a big spender, I am going to read the roll of those people who are known nationwide and supported by all the conservative organizations as fiscally responsible.

We have seen more politics of joy here in the last couple of days, the joy being to give away a lot of money and take it out of the deficit. Do Senators believe there is a lot of money in the deficit? That you can just keep raising the deficit? It is endless. It is worse than the politics of joy. It is the politics of uninhibited, euphoric exhilaration. That is what we are involved in now.

There is no end to it. But I want to see the same fiscal conservatives, who make a career out of it, defend what we have been doing yesterday and today as late as a couple of hours ago. Will they vote to have another billion dollars transferred for those older persons who are better off, by any standard, than anybody else covered by social security.

Mr. GOLDWATER. Mr. President, I yield myself 2 minutes.

It has been a very entertaining 20 minutes, although I have not heard anything said that would cause anybody to seriously consider voting against the amendment.

My friend from Wisconsin and my friend from Louisiana have been talking about 4 percent of the social security recipients. What about the other 96 percent? That is where we conservatives argue with you liberals. We want the money to be distributed in a proper way, not worrying all the time about the rich people, not worrying all the time about 4 percent. What about the 96 percent who we say cannot earn a living, only because we owe the money to them?

I think the Senator has made the best argument for the bankrupt condition of the social security fund that I have heard yet, far better arguments than I made in 1964, when I recall our wonderful friend the Vice President tearing up his social security card. That was Gold-

water—and, by golly, I think in your hearts you know I was right. (Laughter.)

Mr. NELSON. All I point out is that this amendment would benefit only 650,000 people out of 22 million who are over age 65. Mr. President, 650,000. They are the ones who are in the best position now.

I think it would be nice if everybody could receive all this social security money whether they work or not. But it changes the fundamental purpose of the social security system, and it lays the cost of doing it upon those who are averaging \$10,000 a year.

The PRESIDING OFFICER. The time of the Senator from Wisconsin has expired.

The Senator from Arizona has 12 minutes.

Mr. GOLDWATER. I yield 3 minutes to the Senator from Kansas.

Mr. DOLE. Mr. President, I underscore what the distinguished Senator from Arizona said. I think the argument was predictable. You get up and cite some horrible example, and we are supposed to focus on it instead of the problem and the issue.

EARNING LIMIT IS ARBITRARY

What the amendment does is to remove one of the most onerous provisions of the social security law as it applies to individuals who are now retired. The present earnings test of \$3,000 is unfair. It is set at a completely arbitrary limit. Presently less than 50 percent of the official poverty level. The penalty is also arbitrary because it applies only to earned income and ignores income from investments.

ECONOMIC SENSE

There is a compelling economic argument for repealing the earnings limitation. The earnings test deprives our economy of the skills and productive capacity of millions of older citizens who are capable and willing to work. Many of the individuals do not work for no other reason than to avoid having their social security checks reduced. Not only do we lose their skills and output, but the Government also loses the taxes they would pay on those earnings.

Congress recently acted to give senior citizens new protection against age discrimination in employment. This legislation, now in conference, is but a useless gesture, unless we repeal the earnings limitation. It makes no sense to the Senator from Kansas to penalize a person for working.

HOUSE ACTION

The House recognized the problem caused by the earnings limitation by approving by a vote of 208 to 149 a phaseout repeal for persons aged 65 to 72. A proposal in the Finance Committee similar to the House version failed by a 9 to 9 vote. The committee bill has a provision to increase the ceiling from the existing \$3,000 in 1977 to \$4,500 in 1978 to \$6,000 in 1979.

While I support that action, it does not go far enough for our senior citizens. Therefore I support the removal of the limitation for workers over age 65.

The Senator has been talking about income transfers. Social Security is not

an income transfer program; it is a retirement program. Many have tried to make it an income transfer program over the years and nearly succeeded.

About 23 percent of the social security component now goes for welfare programs. The Senator from Arizona is addressing those persons under the system who reach 65, who have paid into the system, and who want to work.

It is good for everybody in Congress to stand up and talk about the social security system, because we are not in it. We may have a chance to be in it later today; but, as of now, we are not in the system.

It reminds me of the debate we had on the floor when the ethics bill was being considered, and we talked about earned income versus investment income. Rich Senators could clip their coupons and others could not do anything. It is much like the predicament we have now.

If you have investment income, as the lawyer would have who we paraded around here for 20 minutes, or the rich professor, or the rich banker, they will work out some arrangement. He will receive stocks or bonds instead of earnings, and then qualify for social security, you can have \$50,000 or \$500,000, \$1 million, or \$10 million, in investment income at age 65 and still get your social security benefit.

It is only those who want to work, those who want to earn the money, who are denied the right to receive their social security benefit, without having it reduced.

The poverty level is about \$6,000. The distinguished Senator from Texas wants to go a little above the poverty level. We do not think that is quite enough.

If you lived in this country and worked and worked, and raised your family, and paid your taxes, and reached 65, you still have some productive years left. Why should you not work? Why should you be denied the benefits for which you paid?

We are going to have an amendment submitted in a few moments that will eliminate about 8 million people out of the 12 million, in an effort to gut the Goldwater-Dole amendment, the Senator from Idaho wants to deprive 8 million senior citizens of the right to work.

We have a tax in this amendment. The rate in our amendment is no higher than that in the Bentsen amendment.

If Senators look at the charts, they will see that we did not dream up those figures. They came from the Social Security Administration. The rates are the same. Where is all this additional cost over the committee amendment? It has not been demonstrated.

No one here is opposing the committee amendment, but they are opposing the Goldwater-Dole amendment because it provides a little more flexibility.

If we go to the year 2011 and later, the tax on the Goldwater-Dole amendment would be 9.20, percent and with the committee amendment it is 9.20 percent. So where are the billions of dollars? Where is the added cost? There is no added cost. In fact, it will be found that the Goldwater-Dole amendment is less in the early years than the committee amend-

ment. If someone can demonstrate all these added billions of dollars, let us take a look at it. It is not there.

I do not know where all these people over 65 are who are making all this money. We can find a lawyer or a banker. I did not hear from any lawyers or bankers. I heard from the American Association of Retired Persons. Perhaps a lawyer belongs to that association. I do not know. They are middle-income Americans. I heard from the National Association of Retired Teachers Association. I do not think teachers are overpaid. Maybe, they are not paid enough. They support this legislation. They sent the information. They do not represent rich bankers and rich lawyers. They represent teachers and professors.

If someone can demonstrate that all these retired people in America, members of that association, are overpaid or receive too many benefits, that is fine.

It seems to me that what is being said, in effect, is: "If you are over 65, you are second-rate. You are not needed any longer. You have to have an earnings test. You can't make over the poverty level." You almost have to die in order to qualify. That is what we will hear in a few moments.

There are some 40 cosponsors of the Goldwater amendment, and I say beware of efforts to compromise. The House voted 268 to 149 for a similar amendment.

It seems to this Senator the time has come to approve this legislation. I see Senator Bayh in the Chamber. He is a strong supporter of this amendment and we are pleased to have his support.

I yield back the remainder of my time. Mr. President, I ask unanimous consent to have printed in the Record two articles that deal with this subject.

There being no objection, the material was ordered to be printed in the Record, as follows:

INCREASE IN RATE SCHEDULE

Calendar year	Goldwater-Dole employees and employers, each		Committee amendment	
	OASDI	HI	Total	
1977	4.95	0.90	5.85	5.85
1978	5.65	1.00	6.05	6.05
1979-80	5.05	1.05	6.10	6.135
1981-84	5.40	1.25	6.65	6.60
1985	5.70	1.35	7.05	7.00
1986-89	5.70	1.40	7.10	7.05
1990-94	6.15	1.40	7.55	7.50
1995-2000	6.75	1.40	8.15	8.00
2001-10	7.35	1.40	8.75	8.70
2011 and later	7.80	1.40	9.20	9.20
Self-employed persons:				
1977	7.00	0.90	7.90	7.90
1978	7.10	1.00	8.10	8.10
1979-80	7.05	1.05	8.10	8.10
1981-84	8.10	1.25	9.35	9.25
1985	8.55	1.35	9.90	9.85
1986-89	8.55	1.40	9.95	9.90
1990-94	9.25	1.40	10.65	10.55
1995-2000	10.10	1.40	11.50	11.45
2001-10	11.05	1.40	12.45	12.35
2011 and later	11.70	1.40	13.10	13.10

THE EFFECTS OF THE 1966 RETIREMENT TEST CHANGES ON THE EARNINGS OF WORKERS AGED 65-72

Program changes incorporated in the 1965 social security amendments provide a rare recent opportunity to examine the impact of changes in the retirement test on retired workers' earnings. The level of exempt earn-

ings—the amount a worker may earn without losing any benefits—was increased in 1966 for the first time since 1955. The provision under which \$1 in benefits is withheld for each \$2 of earnings above the exempt amount was also extended to a much wider range of earnings, affecting many more persons than before. As a consequence, the provision for withholding \$1 in benefits for \$1 in earnings above the \$1-for-\$2 range affected a new group of relatively high-earning workers.

The provisions of the retirement test in 1965 allowed the beneficiary to earn up to \$1,200 annually and still receive full benefits. If he earned between \$1,200 and \$1,700, \$1 of benefits was withheld for every \$2 of earnings within this range, and if his earnings exceeded \$1,700, \$1 of benefits was withheld for each \$1 of earnings until all benefits were withheld. Benefits were payable for any month in which total wages were \$100 or less and in which the beneficiary did not perform any substantial services in self-employment. Full benefits were payable at age 72, regardless of earnings.

The amended test in 1966 provided for annual exempt earnings of \$1,500. The \$1-for-\$2 benefit withholding area began at \$1,501 and extended to \$2,700, beyond which the \$1-for-\$1 provision was effective. This marked the first change in these provisions since 1961. At the same time the monthly test was increased to \$125, while other provisions were unchanged.¹

To determine the effects of these retirement test changes on the earnings of retired workers, earnings data for workers in the 65-72² age group were obtained from a 1-percent sample of workers' summary earnings records as of September 1968. The effects of changes in the test could then be noted by comparing the earnings distributions for the two years.

The conclusions of the study are:

A fairly large number of workers responded to the higher annual exempt amount by increasing their annual earnings or earnings plans from about \$1,200 to about \$1,500 a year.

Most of the workers who were affected by extension of the \$1-for-\$2 and \$1-for-\$1 provisions did not alter their earnings level.

Extension of the \$1-for-\$2 and \$1-for-\$1 provisions for benefit withholding to higher earnings amounts apparently had the effect of inducing some men to reduce their earnings.

HOW THE RETIREMENT TEST INFLUENCES EARNINGS

Under a retirement test of the type used since 1961, the disposable income of beneficiaries is increased by the after-tax amount of earnings up to the annual exempt amount. However, earnings in the \$1-for-\$2 benefit withholding area are only partially reflected in disposable income because an additional \$2 in earnings results in a \$1 loss of benefits. The effect of the benefit withholding is to reduce the beneficiary's marginal rate of pay in the \$1-for-\$2 area by one-half, and the increment to his disposable income by more than one-half if the earnings are taxed.

When the beneficiary's total earnings are in the \$1-for-\$1 area, each dollar above the \$1-for-\$2 limit is offset by a dollar of withheld benefits. Since the worker's earnings are usually subject to OASDI and possibly to personal income taxes, he usually has less disposable income than would have been the case had he been able to limit his earnings

to the upper limit of the \$1-for-\$2 range. In a range above that amount, the beneficiary finds himself working at a zero marginal pay rate and a negative marginal increase in disposable income: in this range, the more he has earned above the \$1-for-\$2 limit the less disposable income he has. The negative marginal increase in disposable income corrects itself when all benefits are withheld, and disposable income again increases by the after-tax amount of additional earnings. However, because the total amount of taxes payable increases with earnings there is a range of earnings above the point where all benefits are withheld that yields a total disposable income smaller than the disposable income that would be available if earnings were held to an amount equal to the \$1-for-\$2 upper limit. This, of course, increases the area of earnings where a worker might be encouraged to reduce his earnings in order to maximize his income.

The monthly test alters the general picture given above by allowing benefits to be paid for months in which earnings do not exceed the specified amount or no substantial self-employment services are performed. It is possible with the monthly test to have annual earnings in the \$1-for-\$1 area without reducing one's disposable income from what it would have been at the \$1-for-\$2 limit. In order to achieve this result the earnings must be concentrated in a few months. Such a situation typically occurs in the first year of retirement, when the beneficiary works at his regular job for part of the year and then retires. It is probable that the primary effect of the monthly test is to pay benefits to these newly retired workers or to workers who could not receive any benefits under the annual test but happen to have months with low earnings. The monthly test would seem to have little effect on the earnings of most workers because of the complexities involved in using it to maximize income.

It is clearly in a beneficiary's interest to avoid earning in the \$1-for-\$1 area and just above it. He may not, however, have control over the amount of his work. The choice facing him may be a job paying a certain amount or no job at all. If the beneficiary feels that he needs more income than his benefits alone will provide him, he will take the job, regardless of his preference for more or less income than the job provides.

Paradoxically, even a pay raise for the beneficiary can place him in a less desirable position. This can happen, for example, if his income is raised enough to put him in the \$1-for-\$1 area when he was previously in the \$1-for-\$2 area. His total disposable income may or may not have been increased by the raise. If he was earning in the \$1-for-\$1 area before the pay increase and continued to have total earnings in that area afterwards, his disposable income would actually have been reduced by receiving the raise.

A study based on the 1963 earnings distribution of workers who were entitled to retirement benefits and subject to the retirement test found that a large group of workers were earning close to the annual exempt amount, and that the number of workers with earnings immediately above that amount was much smaller.³ The \$1-for-\$2 and \$1-for-\$1 provisions had little impact on those beneficiaries whose earnings exceeded the exempt amount. It would have been logical to find far fewer workers earning in the \$1-for-\$1 range, where disposable income declines, but actually there was no sudden drop in numbers where the \$1-for-\$2 provision left off and the \$1-for-\$1 provision commenced in the earnings distribution. Perhaps this re-

ffects, as previously mentioned, that beneficiaries lack control over their total earnings.

THE 1965-66 EXPERIENCE

The 1965 and 1966 number and percentage distributions of workers aged 65-72, by sex and amount of taxable earnings, appear in table 1. The number of workers has been adjusted to the level reported in the 1967 Social Security Bulletin, Annual Statistical Supplement. In order to achieve a greater degree of comparability between the data for 1965 and 1966, all workers who fell into the 65-72 age group were included. This procedure avoids the uncertainties about comparability that can occur over time when entitlement, current payment, insured status, or receipt of benefits is used as a criterion for inclusion in the sample. The small number of uninsured workers in the sample should not affect any major conclusions to be drawn from the data.

When compared with those for 1965, the 1966 distributions exhibited substantial changes in the earnings intervals around the new and old annual exempt amounts. The percentage of men with earnings in the \$1,300-1,599 interval, in which the \$1,500 exempt amount is located, nearly tripled to 11 percent in 1966 from 4 percent in 1965, an increase of 135,000 workers in absolute terms. The percentage of women in that interval increased from 5 percent to 13 percent, representing a 70,000-worker increase. On the other hand, the interval in which the old exempt amount of \$1,200 is located lost a substantial number of workers. The percentage of men earning \$1,000-1,299 declined from 14 percent to 9 percent, an 89,000-worker drop. The percentage of women earning \$1,000-1,299 declined from 17 percent to 11 percent, a 44,000-worker decrease. Aside from these two intervals, no other comparably narrow interval experienced a change of more than 19,000 workers for either men or women.

The expected change in the number and percentage of workers in the \$1,000-1,299 and \$1,300-1,599 intervals that would be brought about by normal year-to-year increases in earnings would be quite different from what actually occurred. It appears from other data that both intervals would have shown an essentially unchanged number of workers and stationary or slightly declining percentages. Hence, almost no part of the observed 1965-66 changes in the two intervals can be attributed to the higher general earnings level in 1966.

The sharp drop in 1966 in the number of workers earning close to \$1,200, when coupled with the increase in the number of workers earning about \$1,500, is consistent with a large group of workers increasing their earnings (or, in the case of the newly retired workers, their earnings plans) from about \$1,200 a year to about \$1,500 a year, keeping up with the increase in the annual exempt amount. There were no other changes in the earnings distributions that quantitatively approached the changes associated with the exempt amount in 1965, indicative of the primary role of the annual exempt amount in helping to determine a beneficiary's earnings.

Although the upper limit of the \$1-for-\$2 benefit withholding range was extended from \$1,700 in 1965 to \$2,700 in 1966, there was relatively little change in the earnings distribution between \$1,600 and \$3,000 in earnings. The 28,000-worker increase in population in the \$1,600-1,999 interval can probably be explained by the closeness of the exempt amount to that interval—a spillover of workers trying to achieve \$1,500 in earnings but earning more. The small changes in the \$2,000-2,999 interval populations by sex were made smaller in total because they were partially offsetting. The number of men in the \$2,000-2,999 interval increased by 18,000. The percentage increased as well, which was counter to the change expected from rising

¹ The present test, effective in 1968, has a \$1,680 exempt amount, \$1-for-\$2 withholding between \$1,680 and \$2,880, and \$1-for-\$1 withholding above \$2,880. The monthly test is \$140.

² Seventy-two rather than 71 was chosen as the upper age limit because beneficiaries are subject to the test during that part of the calendar year preceding their 72d birth date.

³ See Kenneth G. Sander, "The Retirement Test: Its Effect on Older Workers Earnings," Social Security Bulletin, June 1968. See also House Document No. 91-40, 91st Congress, 1st Session, "The Retirement Test Under Social Security," January 1969.

earnings. There was a decline of 6,000 women in the interval, in line with the expected effect due to higher earnings levels.

The 1966 results also indicate that most workers could not or did not effectively differentiate between the \$1-or-\$2 and \$1-for-\$1 provisions in determining their earnings levels. The majority of affected workers did not avoid the \$1-for-\$1 area: 205,000 workers earned \$3,000-3,999 in 1965 compared with 192,000 workers in that interval in 1966. In addition, there was no sudden drop in interval populations above the upper limit of the \$1-for-\$2 range, as there was above the exempt amount. In fact, there were actually more women earning \$3,000-3,499 than there were earning \$2,000-2,499 in 1966.

EARNINGS REDUCTIONS ATTRIBUTABLE TO CHANGES IN RETIREMENT TEST

Retirement test liberalizations are often supported on the basis that they provide improved work incentives for retired workers. Increasing the exempt amount of earnings should encourage additional work and, as has been shown, a number of beneficiaries do increase their earnings up to the higher exempt amount. What tends to be overlooked, though, is that liberalizations of the present form of the test can generate work disincentives. For example, it is highly unlikely that many workers who found themselves earning in the \$1-for-\$1 or \$1-for-\$2 range after the test was changed and did not like it could increase their earnings in order to improve their position. They might well, however, reduce their earnings to the neighborhood of the exempt amount as another method of bettering their position.

Another way that retirement test liberalizations could reduce the earnings of some workers would be through affording workers the chance to increase their leisure time with little or no reduction in disposable income. This opportunity could even affect workers earning amounts above the \$1-for-\$1 trade-off area. For example, a worker may have been eligible for a \$1,500-a-year retirement benefit in 1965, but instead chose to earn \$4,000 and forego any benefits. Assuming he

paid no income taxes, and ignoring work expenses, his take-home pay after social security taxes was \$3,855. This was \$966.63 more than the \$2,888.37 he could have received by earning \$1,700 and taking partial benefits of \$1,250, the combination of benefits and earnings which would have maximized his disposable income.

After the retirement test liberalizations and the social security tax increase in 1966, however, he could have had an income of \$3,486.60 by earning \$2,700 and receiving \$900 in benefits, compared with a \$3,832 disposable income from earnings of \$4,000. He would have gained only \$345.40 in disposable income from the \$1,300 of earnings above \$2,700, and even less after allowing for work-connected expenses. Assuming he was paid at the rate of \$2 an hour, worked a 40-hour week, and had control over his work schedule, he could have gained almost 4 months of leisure by foregoing at most \$345.40 in disposable income. It may well have been attractive enough for him to reduce his earnings and "buy" the leisure time at its much reduced price in foregone income.

It is not possible to say how many workers actually reduced their earnings or earnings plans between 1965 and 1966 because of the retirement test liberalizations, but there is evidence that some workers did cut back. The percentage of men earning \$3,000 or more fell from 44 percent to 42 percent. This decline occurred in the face of a rise in the earnings level which, other things being equal, would have raised the percentage to above 44 percent in 1966. Some idea as to the number of men who may have reduced their earnings or earnings plans in 1966 can be derived by calculating the number of additional workers needed to bring the percentage earnings over \$3,000 to the 1965 level. This procedure yields an estimate of around 30,000 men who presumably had lower earnings. If a one percentage point increase were assumed in 1966 to allow for increased earnings levels, the number of men who presumably reduced their earnings would go to almost 50,000.

By contrast, the percentage of women earning \$3,000 or more increased by one percentage point between 1965 and 1966, or

what one would have expected as a result of rising earnings levels. A possible explanation for the different results between men and women in the over \$3,000 earnings interval is that women do not have as much control as men over the amount of their earnings. There was evidence of this also in the \$2,000-2,999 interval, where the distribution for men went counter to the underlying trend for that interval, showing increases in numbers and percentages, while the women's distribution showed the expected drop due to increasing earnings levels.

One reason for the probable greater control over earnings on the part of men can be traced to the fact that one-fourth of the men 65 or over who work have self-employment income. Only one in 10 of the women 65 or over who work have self-employment income. The self-employed could presumably regulate their earnings better than wage and salary workers.

EARNINGS OF WORKERS AGED 73 AND OVER

The 1965 and 1966 earnings distributions for men and women aged 73 and over are shown in table 2. These workers were not subject to the retirement test, and the distributions clearly show it. As one would expect with the older group, workers were concentrated in the lower earnings intervals, and the number of workers declined relatively smoothly from one higher earnings interval to another. No abnormally large groups of workers were to be found in the earnings intervals where the annual exempt amounts were located. The distributions showed no unusual changes between 1965 and 1966.

There were relatively more men aged 73 and over than men aged 65-72 earning \$1,600-3,999 in 1966. This is a good indication of what some of the men who earn around the annual exempt amount increase their earnings to when freed of the constraints of the retirement test. For women, the relatively higher populations were in the \$1,600-2,999 interval, indicating less of an increase in earnings when the retirement test is removed. This would be consistent with the women's lower earnings level.

TABLE 1.—NUMBER AND PERCENTAGE DISTRIBUTION OF WORKERS AGED 65 TO 72 WITH TAXABLE EARNINGS, BY SEX AND TAXABLE EARNINGS
[Numbers in thousands]

Earnings interval	Total				Men				Women			
	Number		Percentage distribution		Number		Percentage distribution		Number		Percentage distribution	
	1965	1966	1965	1966	1965	1966	1965	1966	1965	1966	1965	1966
Total.....	2,610	2,708	100.0	100.0	1,749	1,715	100.0	100.0	861	893	100.0	100.0
\$1 to \$499.....	435	427	16.7	15.8	240	245	13.7	13.5	195	182	22.6	20.4
\$500 to \$999.....	405	382	15.5	14.1	248	230	14.2	12.7	157	152	18.2	17.0
\$1,000 to \$1,299.....	391	258	15.0	9.5	246	157	14.1	8.7	145	101	16.8	11.3
\$1,300 to \$1,599.....	108	313	4.1	11.6	66	201	3.8	11.1	42	112	4.9	12.6
\$1,600 to \$1,999.....	96	124	3.7	4.6	61	80	3.5	4.4	35	44	4.1	4.9
\$2,000 to \$2,499.....	99	107	3.8	4.0	58	69	3.3	3.8	41	38	4.8	4.3
\$2,500 to \$2,999.....	101	105	3.9	3.9	58	65	3.3	3.6	43	40	5.0	4.5
\$3,000 to \$3,499.....	99	100	3.8	3.7	61	60	3.5	3.3	38	40	4.4	4.5
\$3,500 to \$3,999.....	106	92	4.1	3.4	73	59	4.2	3.3	33	33	3.8	3.7
\$4,000 to \$4,499.....	92	90	3.5	3.3	63	59	3.6	3.3	29	31	3.4	3.5
\$4,500 or more.....	676	709	25.9	26.2	573	590	32.8	32.5	103	119	12.0	13.3

TABLE 1.—NUMBER AND PERCENTAGE DISTRIBUTION OF WORKERS AGED 73 AND OVER WITH TAXABLE EARNINGS, BY SEX AND TAXABLE EARNINGS
[Numbers in thousands]

Earnings interval	Total				Men				Women			
	Number		Percentage distribution		Number		Percentage distribution		Number		Percentage distribution	
	1965	1966	1965	1966	1965	1966	1965	1966	1965	1966	1965	1966
Total.....	779	802	100.0	100.0	561	575	100.0	100.0	218	227	100.0	100.0
\$1-\$499.....	151	160	19.4	10.9	95	102	16.9	17.7	56	58	25.8	25.6
\$500-\$999.....	145	137	18.6	17.1	98	94	17.5	16.3	47	43	21.7	18.9
\$1,000-\$1,299.....	88	80	11.3	10.0	62	52	11.1	9.0	26	28	12.0	12.3
\$1,300-\$1,599.....	50	56	6.4	7.0	37	41	6.6	7.1	13	15	6.0	6.6
\$1,600-\$1,999.....	55	56	7.1	7.0	39	40	7.0	6.9	16	16	7.4	7.0
\$2,000-\$2,499.....	48	53	6.2	6.6	33	38	5.9	6.6	15	15	6.9	6.6
\$2,500-\$2,999.....	38	42	4.9	5.2	29	30	5.2	5.2	9	12	4.1	5.3
\$3,000-\$3,499.....	30	31	3.9	3.9	21	22	3.7	3.8	9	9	4.1	4.0
\$3,500-\$3,999.....	24	27	3.1	3.4	19	20	3.4	3.5	5	7	2.3	3.1
\$4,000-\$4,999.....	21	23	2.7	2.9	16	17	2.9	3.0	5	6	2.3	2.6
\$4,500 or more.....	178	138	16.5	17.2	112	120	20.0	20.8	16	18	7.4	7.9

RETIRED-WORKER BENEFICIARIES AFFECTED BY THE ANNUAL EARNINGS TEST IN 1971

(By Barbara A. Lingg*)

(Every year some older persons entitled to retired-worker benefits lose some or all of their benefits because of the annual earnings test. This article discusses those affected in 1971—who they were, how much they earned, how much they lost in monthly cash benefits, and the effect of family status on benefit amounts. In that year, among those aged 62–71, relatively fewer women than men lost benefits as a result of earnings from work because relatively fewer women worked and those who did had lower earnings.)

Retired workers under age 72 who are entitled to monthly cash benefits under the social security program are affected by the earnings test provision of the law if they have income from employment or self-employment in excess of specific monthly and yearly exempt amounts. The effect of the earnings limitation in 1971 is studied here. In that year no benefits were withheld if annual earnings were \$1,680 or less, \$1 in benefits was withheld for every \$2 in earnings from \$1,681 to \$2,880, and \$1 in benefits was withheld for each \$1 in earnings above \$2,880. Benefits were payable, however, for any month in which the entitled individual earned \$140 or less or did not render substantial services in self-employment.¹

The 1.5 million retired-worker beneficiaries aged 62–71 who were affected by the earnings test in 1971 lost \$2.2 billion in bene-

fits. Men outnumbered women, but they also had higher earnings than women. For some individuals, earnings were not optimal in relation to their monthly benefit amount. The data (except for table 2) have been derived on a 100-percent basis from the Social Security Administration's master beneficiary record that contains detailed benefit data for all beneficiaries.²

In assessing the effect of the earnings test, it should be remembered that the number of beneficiaries actually receiving benefit payments would undoubtedly be larger if it were not for the limitation on earnings. Persons not claiming their benefits for this reason should be counted among those affected by the test. Most persons aged 65 or older do file for benefits. Some of them, however, file solely to become eligible for hospital benefits under Medicare and have their cash benefits postponed since they want to continue in their employment. Among those aged 62–64 who have not applied for reduced benefits are undoubtedly some who do not do so because they realize that the earnings test means limited earnings or loss of some or all of their benefits. They therefore decide to wait at least until they can file for full benefits.

This article focuses on the data for retired-worker beneficiaries on the rolls who lost some or all of their benefits because of earnings in 1971. The entitled spouses and/or children or retired-worker beneficiaries are also subject to the earnings test if they work, but the available earnings-test data for 1971 is limited to earnings of the retired worker.

¹ For a discussion of the effects of the annual earnings test in 1963, see Kenneth G. Sander, "The Retirement Test: Its Effect on Older Workers' Earnings," Social Security Bulletin, June 1968. For a history of the earnings test provisions and a discussion of possible changes and their potential effects, see U.S. Congress, Committee on Ways and Means, The Retirement Test Under Social Security, House Document No. 91-40, January 9, 1969.

EFFECTS OF EARNINGS TEST ON BENEFITS

The withholding provisions underlying the earnings test limit the monetary gain that retired-worker beneficiaries can receive from work. In 1971, from the point at which the earnings exceeded \$2,880 to the point at which they were high enough to offset the payment of all benefits each \$1 in earnings offset \$1 in benefits and, therefore, there was no net gain. From that point on, however, each \$1 of earnings was an addition to the individual's income, since there were no more benefits to offset (table 1). Excess earnings of the retired-worker beneficiary are charged against the total family benefit payable on his earnings record. Thus, if a retired worker has an entitled spouse and/or children, their benefits are withheld along with those of the worker until all of the excess earnings are taken into account. In the following example the effects of the 1971 earnings test are shown for a retired-worker beneficiary with total family benefits of \$3,000 and varying earned income.

1. For earnings up to \$2,880, with taxes on earnings disregarded, the individual would have been ahead financially by working, by a maximum of \$2,280.

2. For earnings of \$2,881–\$5,280, the monetary advantage the retired worker beneficiary could gain from employment would have remained at \$2,280 regardless of the amount earned, since each additional \$1 of earnings would have offset \$1 in benefits. In terms of actual income, he probably would have netted far less than \$2,280 because of deductions for both income and social security taxes. (Social security benefits are not subject to either tax.) Thus, the net income from gross earnings of \$5,280 would probably be less than the net income from gross earnings of \$2,880, since the tax-free benefits would be replaced dollar-for-dollar by taxable earnings and the taxes on earnings of \$5,280 would be considerably larger than the taxes on earnings of \$2,880. In addition, the worker probably would have incurred such work-related expenses as transportation, clothing, etc.

TABLE 1.—EXAMPLES OF NET RECEIPTS BY RETIRED-WORKER BENEFICIARIES FROM BENEFITS AND EARNINGS FOR SPECIFIED ANNUAL BENEFIT AND EARNINGS LEVELS, 1971

		Amount of be ifts		Amount received from—		Economic advantage of working (in dollars)			Amount of benefits		Amount received from—		Economic advantage of working (in dollars)
Earnings in year		Withheld	Payable	Earnings and benefits	Benefits		Earnings in year		Withheld	Payable	Earnings and benefits	Benefits	
Benefit amount (\$1,500 for year, \$125 monthly):							Benefit amount (\$3,000 for year, \$250 monthly):						
\$1,680	0		\$1,500	\$3,180	\$1,500	\$1,680	\$1,680	0		3,000	4,680	3,000	1,680
\$2,281	\$300		1,200	3,481	1,500	1,981	\$2,281	300	2,700	4,981	3,000	1,981	
\$2,881	600		900	3,781	1,500	2,281	\$2,881	600	2,400	5,281	3,000	2,281	
\$3,481	1,200		300	3,781	1,500	2,281	\$3,481	1,200	1,800	5,281	3,000	2,281	
\$4,081	1,500		0	4,081	1,500	2,581	\$4,081	1,800	1,200	5,281	3,000	2,281	
\$4,681	1,500		0	4,681	1,500	3,181	\$4,681	2,400	600	5,281	3,000	2,281	
\$5,281	1,500		0	5,281	1,500	3,781	\$5,281	3,000	0	5,281	3,000	2,281	
\$5,881	1,500		0	5,881	1,500	4,381	\$5,881	3,000	0	5,881	3,000	2,881	
\$6,481	1,500		0	6,481	1,500	4,981	\$6,481	3,000	0	6,481	3,000	3,481	
\$7,081	1,500		0	7,081	1,500	5,581	\$7,081	3,000	0	7,081	3,000	4,081	

3. The retired-worker beneficiary would have been \$1 ahead for each \$1 earned beyond \$5,280, since all benefits would have been already offset. In order for his work to result in a net financial gain, however, he would have had to earn enough in excess of \$5,280 to compensate for all taxes and work-related expenses incurred.

Since no monetary advantage would be gained from earnings over \$2,880, unless they exceeded the point at which all of the benefits were offset, those with higher yearly benefit amounts would have to earn considerably more than those with lower yearly benefits to realize a financial advantage. Consequently, it would be to the advantage of many retired-worker beneficiaries to re-

strict their earnings to \$2,880 or less, unless the earnings were fairly large.

AGE AND SEX

About 1.5 million retired-worker beneficiaries, roughly one-fifth of all retired workers aged 62–71, lost some or all of their 1971 benefits because they worked. About 70 percent of the group were men and 30 percent were women, compared with 58 percent and 42 percent, respectively, for the total retired-worker beneficiary population aged 62–71. Relatively fewer women lost benefits because relatively fewer women worked; moreover, relatively more of those who did work had earnings below the exempt amount. The smaller percentage of working women is in line with the generally lower labor-force participation rate of women—in 1971, 43

percent for all women and 9 percent for women aged 65 and over. The corresponding rates for men were 79 percent and 25 percent.³ The lower earnings level among women workers is corroborated by data from the Continuous Work History Sample of the Social Security Administration. Less than \$1,800 in earnings were shown for about two-fifths of the women in covered employment in 1971, but only one-fifth of the men had earnings that low. Among workers aged 65 and over, 58 percent of the women but only 45 percent of the men had earnings below \$1,800 (table 2).

³ Bureau of the Census, *Statistical Abstract of the United States: 1972* (93 d edition), 1972, page 217.

TABLE 2.—WORKERS WITH TAXABLE EARNINGS: NUMBER AND PERCENTAGE DISTRIBUTION FOR ALL WORKERS AND FOR THOSE AGED 65 AND OVER, BY AMOUNT OF EARNINGS, 1971

Amount of earnings	Men		Women	
	Total	Aged 65 and over	Total	Aged 65 and over
Total number.....	57,200,000	2,440,000	35,700,000	1,280,000
Total percent.....	100	100	100	100
Less than \$1,800.....	20	45	38	58
\$1,800 to \$2,999.....	8	11	13	12
\$3,000 to \$4,199.....	7	7	13	7
\$4,200 to \$5,399.....	7	6	12	7
\$5,400 to \$6,599.....	8	6	9	5
\$6,600 to \$7,799.....	8	4	6	4
\$7,800 or more.....	41	21	8	7

Source: Data from the continuous work history sample for 1971. See the technical note for sampling variability calculations, p. 31.

Among those aged 62–71, the proportion of persons aged 65–71 who were affected by the earnings test was somewhat higher than the proportion of persons aged 65–71 in the total retired-worker beneficiary population aged 62–71 (table 3). This higher proportion may reflect the large number of individuals mentioned earlier who came onto the social security rolls at age 65 to be eligible for Medicare, even though their earnings offset all

benefits that would otherwise be payable to them. Employed persons aged 62–64 would have little incentive to file for benefits unless their earnings were low enough to permit payment of some benefits or there were months in which they earned less than \$140 or did not render substantial services in self-employment.

Information about the amount of income from work in 1971 was available for most

retired-worker beneficiaries either from their annual report of earnings or their earnings record. All retired workers who received some benefits in 1971 and who earned more than \$1,680 during the year were required to file an annual report of earnings indicating: (1) amount of earnings; (2) type of employment performed (wage and salary, self-employment, or a combination of the two); and (3) number of months in which they did not earn more than \$140 or render substantial services in self-employment.

For persons who were not required to the annual reports because their benefits for 1971 were completely offset, earnings information was obtained from reports by employers and the self-employed and entered in the individual's earnings record for about 90 percent of the cases. For the remainder, earnings information was not available either because the reporting by employers or the self-employed was too late to be included in the tabulations, the individuals worked in employment not covered by the social security program—those in the Federal civil service, for example—or because of errors in processing the data. Earnings information was not available for about 10 percent of the men and 8 percent of the women.

TABLE 3.—NUMBER AND PERCENTAGE DISTRIBUTION OF RETIRED-WORKER BENEFICIARIES ON THE ROLLS AND OF THOSE AFFECTED BY EARNINGS TEST, BY SEX AND AGE GROUP, 1971

Sex and age	Retired-worker beneficiaries				Percent on rolls who are affected by earnings test
	On the rolls at end of year		Affected by earnings test		
	Number	Percentage distribution	Number	Percentage distribution	
Total	7,999,072	100.0	1,528,399	100.0	19.1
Men	4,622,723	57.8	1,067,949	69.9	23.1
Women	3,376,349	42.2	460,450	30.1	13.6

Sex and age	Retired-worker beneficiaries				Percent on rolls who are affected by earnings test
	On the rolls at end of year		Affected by earnings test		
	Number	Percentage distribution	Number	Percentage distribution	
Men	4,622,723	100.0	1,067,949	100.0	23.1
62 to 64	659,903	14.3	109,238	10.2	16.6
65 to 71	3,962,820	85.7	958,711	89.2	24.2
Women	3,376,349	100.0	460,450	100.0	13.6
62 to 64	712,030	21.1	74,712	16.2	10.5
65 to 71	2,664,319	78.9	385,738	83.8	14.5

An analysis of earnings of retired-worker beneficiaries indicates that relatively more men (57 percent) than women (37 percent) had earnings of \$5,281 or more. On the other hand, relatively more women (40 percent) than men (24 percent) had earnings of \$1,681–4,080 (table 4). These differences in the earnings levels of working men and women beneficiaries reflect earnings differences between men and women in the general population. Among all workers with taxable earnings in 1971, 57 percent of the men but only 23 percent of the women had earnings of \$5,400 or more. For workers aged 65 or older, the corresponding proportions were 31 percent and 16 percent.

Relatively more men and women aged 65–71 had earnings in the higher ranges than men and women aged 62–64. Among those aged 65–71, for example, 60 percent of the men and 40 percent of the women had earnings exceeding \$5,280, compared with 33 percent of the men and 23 percent of the women aged 62–64. These differences could be expected since many persons aged 62–64 with fairly high earnings would not have filed for benefits.

In all, retired-worker beneficiaries affected by the earnings test lost \$2.2 billion in social security benefits—about 71 percent of the \$3.1 billion that would have been payable to

them and their entitled dependents if there had been no deductions due to earnings. Men lost \$1.65 billion (72 percent of their benefits) and women lost \$0.5 billion (68 percent). For both men and women the proportion of benefits withheld was substantially higher for those aged 65–71 than for those aged 62–64. Among men, the proportion of benefits withheld was about 74 percent for those aged 65–71 but only 52 percent for those aged 62–64. Among women, the corresponding proportions were 71 percent and 49 percent. These differences may reflect in part the higher earnings of workers aged 65–71.

TABLE 4.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1971, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AND AVERAGE BENEFIT AMOUNT WITHHELD AND BEFORE WITHHOLDING, BY SEX, AGE, AND PRIMARY INSURANCE AMOUNT

Sex, age, and primary insurance amount	Retired-worker beneficiaries affected		Percentage distribution, by amount of earnings							Average benefit amount—		Ratio of benefits withheld to amount before withholding
	Number	Percent of total	Total	Earnings unknown	\$1,681–2,880	\$2,881–4,080	\$4,081–5,280	\$5,281 or more	Withheld	Before withholding		
MEN												
Total.....	1,067,949	100.0	100.0	9.7	14.9	8.7	9.7	57.0	\$1,545	\$2,150	0.719	
Under \$100.....	26,080	2.4	100.0	32.4	22.9	11.4	7.6	25.7	541	791	.684	
\$100 to \$209.90.....	295,759	27.7	100.0	16.7	28.1	15.7	15.6	23.9	984	1,616	.609	
\$210 or more.....	746,110	69.9	100.0	6.2	9.4	5.8	7.4	71.2	1,809	2,409	.751	
Aged 62 to 64, total.....	109,238	100.0	100.0	7.1	32.6	17.1	10.3	32.9	862	1,644	.524	
Under \$100.....	3,897	3.6	100.0	14.3	56.1	14.7	5.2	9.7	340	705	.482	
\$100 to \$209.90.....	49,885	45.7	100.0	8.9	44.4	22.6	10.9	13.2	643	1,367	.470	
\$210 or more.....	55,456	50.7	100.0	4.9	20.2	12.3	10.2	52.4	1,096	1,960	.559	

TABLE 4.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1971, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AND AVERAGE BENEFIT AMOUNT WITHHELD AND BEFORE WITHHOLDING, BY SEX, AGE, AND PRIMARY INSURANCE AMOUNT—Continued

Sex, age, and primary insurance amount	Retired-worker beneficiaries affected		Percentage distribution, by amount of earnings						Average benefit amount—		Ratio of benefits withheld to amount before withholding
	Number	Percent of total	Total	Earnings unknown	\$1,681–2,880	\$2,881–4,080	\$4,081–5,280	\$5,281 or more	Withheld	Before withholding	
Aged 65 to 71, total.....	958,711	100.0	100.0	10.1	12.9	7.7	9.6	59.7	1,623	2,207	.735
Under \$100.....	22,183	2.3	100.0	35.6	17.0	10.8	8.1	28.5	577	806	.716
\$100 to \$209.90.....	245,874	25.6	100.0	18.3	24.8	14.3	16.5	26.1	1,086	1,666	.652
\$210 or more.....	690,654	72.1	100.0	6.3	8.5	5.3	7.2	72.7	1,860	2,445	.761
WOMEN											
Total.....	460,450	100.0	100.0	8.0	25.3	14.5	15.0	37.2	1,148	1,683	.682
Under \$100.....	23,330	5.1	100.0	24.0	44.5	11.3	5.6	14.6	452	801	.564
\$100 to \$209.90.....	241,280	52.4	100.0	9.4	37.3	21.6	19.1	12.6	833	1,416	.588
\$210 or more.....	195,840	42.5	100.0	4.4	8.2	6.2	11.1	70.1	1,619	2,116	.765
Age 62 to 64, total.....	74,712	100.0	100.0	6.1	46.8	17.1	7.0	23.0	594	1,203	.494
Under \$100.....	7,709	10.3	100.0	10.0	70.3	10.7	2.7	6.3	268	665	.403
\$100 to \$209.90.....	46,756	62.6	100.0	5.4	57.4	22.2	7.6	7.4	485	1,117	.434
\$210 or more.....	20,247	27.1	100.0	6.0	13.3	7.8	7.7	65.2	969	1,609	.602
Aged 65 to 71, total.....	385,738	100.0	100.0	8.4	21.1	14.0	16.6	39.9	1,255	1,776	.707
Under \$100.....	15,621	4.1	100.0	30.9	31.8	11.6	7.0	18.7	543	868	.626
\$100 to \$209.90.....	194,524	50.4	100.0	10.3	32.5	21.4	21.9	13.9	916	1,488	.616
\$210 or more.....	175,593	45.5	100.0	4.3	7.6	5.9	11.5	70.7	1,694	2,175	.779

EARNINGS AND PRIMARY INSURANCE AMOUNT

The primary insurance amount (PIA) is related to average monthly earnings on which a person's social security taxes are paid. It serves as the basis for computing all social security cash benefit amounts. The full PIA is payable to a retired worker who becomes entitled to benefits at age 65. If the worker becomes entitled before age 65, the PIA is actuarially reduced. Since the PIA in a limited way reflects a person's average monthly earnings before entitlement to benefits, one might expect that those with high PIA's would be in a better position than those with low PIA's to have high earnings if they engage in work activities after en-

titlement to benefits. As table 4 data indicate, a substantially higher proportion of retired workers with PIA's of \$210 or more had earnings exceeding \$5,280 than those with lower PIA's, irrespective of age and sex. Interestingly, although the proportion of women with high earnings was generally much lower than the proportion of men with high earnings, the earnings patterns of men and women were virtually identical at the highest PIA level.

BENEFICIARY FAMILY STATUS AND MONTHLY BENEFIT AMOUNT

About 80 percent of the retired-worker beneficiaries who were affected by the earn-

ings test in 1971 are classified as "worker-only" beneficiary families (table 5). Family classifications of the beneficiary data are based on the aggregation of persons entitled to benefits on the worker's earnings record. The term "worker-only" family therefore means that no spouses and/or children are entitled to benefits on the worker's earnings record. It does not necessarily mean that the worker is not married. The worker actually may be married to another beneficiary who is entitled to benefits on his or her own earnings record, or to a person who does not meet the requirements for entitlement—a woman too young, for example, to become entitled to wife's benefits.

TABLE 5.—NUMBER AND PERCENTAGE DISTRIBUTION OF RETIRED WORKER BENEFICIARIES AFFECTED BY THE EARNINGS TEST IN 1971, AMOUNT OF BENEFITS WITHHELD AND BEFORE WITHHOLDING, BY AGE GROUP, SEX, TYPE OF EMPLOYMENT, AND BY TYPE OF BENEFICIARY FAMILY

Sex, type of employment and type of beneficiary family	Retired-worker beneficiaries affected						Amount of benefits (in thousands)					
	Total		Aged 62-64		Aged 65-71		Total		Aged 62-64		Aged 65-71	
	Number	Percentage distribution	Number	Percentage distribution	Number	Percentage distribution	Withheld	Before withholding	Withheld	Before withholding	Withheld	Before withholding
Total	1,528,399	100.0	183,950	12.0	1,344,449	88.0	\$2,178,837	\$3,070,339	\$138,505	\$269,518	\$2,040,332	\$2,800,820
Men	1,067,949	69.9	109,238	7.1	958,711	62.8	1,650,272	2,295,576	94,158	179,621	1,556,114	2,415,954
Women	460,450	30.1	74,712	4.9	385,738	25.2	528,565	774,763	41,347	89,897	484,218	681,866
Men	1,067,949	100.0	109,238	100.0	958,711	100.0	1,650,272	2,295,576	94,158	179,621	1,556,114	2,415,954
Wage and salary	558,105	52.3	75,192	68.8	483,213	50.4	670,398	1,145,597	58,785	123,252	614,585	1,022,345
Self-employed	72,251	6.8	13,816	12.6	58,435	6.1	73,501	159,411	8,859	21,178	64,615	138,232
Wage and salary and self-employed	21,988	2.0	4,438	4.1	17,550	1.8	21,816	46,489	3,036	6,831	18,780	39,658
Type unknown	415,305	38.9	15,792	14.5	399,513	41.7	884,585	944,679	23,480	28,360	864,105	915,719
Women	460,450	100.0	74,712	100.0	385,738	100.0	528,565	774,763	41,347	89,897	484,218	681,866
Wage and salary	316,313	68.7	66,527	89.0	249,786	64.8	287,133	506,270	38,449	80,724	248,713	425,549
Self-employed	11,000	2.4	2,355	3.2	8,736	2.3	8,666	18,108	1,064	2,567	7,602	15,511
Wage and salary and self-employed	3,655	.8	770	1.0	2,885	.7	3,256	6,198	465	924	2,794	5,274
Type unknown	129,391	28.1	5,060	6.8	124,331	32.2	229,510	244,187	4,399	5,685	225,111	238,502
All beneficiary families	1,528,399	100.0	183,950	100.0	1,344,449	100.0	2,178,837	3,070,339	138,505	269,518	2,040,332	2,800,820
Worker only	1,223,330	80.0	146,782	79.8	1,076,548	80.1	1,603,620	2,183,389	93,326	188,268	1,510,293	1,995,421
Men	766,636	50.0	73,451	39.9	693,185	51.6	1,079,777	1,417,096	50,125	100,763	1,029,652	1,316,303
Women	456,624	30.0	73,331	39.9	383,293	28.5	523,843	766,323	43,201	87,505	480,641	678,818
Worker and spouse	240,793	15.8	22,590	12.3	218,203	16.2	469,269	702,801	30,429	48,096	438,810	654,708
Worker and children	27,725	1.8	5,995	3.2	21,730	1.6	40,942	71,235	5,530	12,356	35,383	58,848
Worker, spouse, and children	36,551	2.4	8,583	4.7	27,968	2.1	65,037	112,912	9,221	20,769	55,817	92,443

About 4 percent of the retired-worker beneficiaries affected by the earnings test in 1971 had dependent children entitled to benefits on their wage records. The percentage of beneficiary families with dependent children was somewhat higher among those beneficiaries aged 62-64 than among those aged 65-71. Relatively more of the older group than of the younger had spouses entitled to benefits. Because women retired-worker beneficiaries comprised less than 1 percent of the "worker and spouse" and "worker, spouse, and children" beneficiary families, data for such families that include

dependents are not shown separately by sex of the retired-worker beneficiary. Comparisons are made only between families with dependents and those with a man as the only beneficiary.

In general, beneficiary families with dependents lost a lower proportion of their benefits than the men in the worker-only families (table 6). A partial explanation is the fact that the former tend to receive larger monthly amounts, because the family benefit includes amounts to which dependents are entitled. It would therefore take fewer benefit months to offset amounts to be with-

held due to earnings and benefits would be payable for more months during the year.

*Family benefits are subject to a maximum amount that is related to the worker's PIA. If the family benefit amount exceeds this maximum, the benefits to the dependents are reduced. The earnings test is applied against the amount the family actually receives. Thus, if a family receives the maximum, it will apply against that amount not against the amount the dependents would have received before reduction for the family maximum.

TABLE 6.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1971, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AND AVERAGE BENEFIT AMOUNT WITHHELD AND BEFORE WITHHOLDING, BY TYPE OF BENEFICIARY FAMILY AND MONTHLY BENEFIT AMOUNT

Type of beneficiary family and monthly benefit amount	Retired-worker beneficiaries affected		Percentage distribution, by amount of earnings						Average benefit amount—		Ratio of benefits withheld to amount before withholding
	Number	Percent of total	Total	Earnings unknown	\$1,681 to \$2,880	\$2,881 to \$4,080	\$4,081 to \$5,280	\$5,281 or more	Withheld	Before withholding	
Worker only, men.....	766,636	100.0	100.0	9.0	13.9	8.6	10.3	58.2	\$1,409	\$1,848	0.762
Under \$100.00.....	23,870	3.1	100.0	30.0	26.2	12.4	8.0	23.4	502	732	.686
\$100.00 to \$149.99.....	72,816	9.5	100.0	22.0	34.9	16.8	11.3	15.0	675	1,139	.593
\$150.00 to \$199.99.....	139,186	18.2	100.0	13.3	24.2	15.4	18.5	28.6	1,000	1,556	.648
\$200.00 to \$249.99.....	261,419	34.1	100.0	7.2	12.7	8.0	12.4	59.7	1,426	1,931	.738
\$250.00 or more.....	269,345	35.1	100.0	3.0	3.1	3.0	3.9	87.0	1,877	2,210	.849
Worker only, women.....	456,694	100.0	100.0	8.0	25.2	14.5	15.1	37.2	1,147	1,678	.684
Under \$100.00.....	24,743	5.4	100.0	18.6	52.0	12.6	4.9	11.9	385	733	.525
\$100.00 to \$149.99.....	86,064	18.8	100.0	11.2	55.4	19.8	7.5	6.1	513	1,147	.447
\$150.00 to \$199.99.....	138,167	30.3	100.0	9.0	27.3	23.5	24.4	15.5	974	1,553	.627
\$200.00 to \$249.99.....	127,239	27.9	100.0	5.2	11.1	8.6	18.1	57.0	1,444	1,926	.750
\$250.00 or more.....	80,181	17.6	100.0	3.7	3.6	3.3	5.3	84.1	1,887	2,359	.800
Worker and spouse.....	240,793	100.0	100.0	10.9	16.7	8.2	7.7	56.5	1,949	2,919	.668
Under \$150.00.....	5,342	2.2	100.0	26.6	30.7	8.1	13.7	20.9	633	1,100	.575
\$150.00 to \$199.99.....	11,711	4.9	100.0	19.3	40.6	15.9	10.3	13.9	766	1,635	.485
\$200.00 to \$249.99.....	23,419	9.7	100.0	16.2	33.8	15.0	12.0	23.0	1,064	2,100	.507
\$250.00 to \$299.99.....	39,228	16.3	100.0	12.3	23.2	10.8	10.2	43.5	1,527	2,578	.592
\$300.00 to \$349.99.....	48,562	20.2	100.0	11.0	20.6	8.8	8.8	50.8	1,754	2,930	.599
\$350.00 or more.....	112,531	46.7	100.0	7.6	6.1	4.6	5.2	76.5	2,550	3,423	.745
Worker and children.....	27,725	100.0	100.0	12.9	21.4	12.2	10.3	43.1	1,476	2,569	.575
Under \$150.00.....	1,341	4.8	100.0	23.1	38.9	15.9	5.6	16.5	538	1,061	.507
\$150.00 to \$199.99.....	2,328	8.4	100.0	17.9	42.0	20.2	9.3	10.6	672	1,527	.440
\$200.00 to \$249.99.....	3,224	11.6	100.0	15.3	36.4	20.3	12.6	15.4	908	1,973	.460
\$250.00 to \$299.99.....	4,156	15.0	100.0	13.8	28.0	16.8	14.3	27.1	1,205	2,382	.506
\$300.00 to \$349.99.....	5,369	19.4	100.0	11.6	20.3	11.4	12.9	43.8	1,506	2,750	.548
\$350.00 or more.....	11,307	40.8	100.0	10.5	8.9	6.6	7.7	66.3	2,000	3,116	.642
Worker, spouse, and children.....	36,551	100.0	100.0	16.4	19.3	12.6	10.2	41.5	1,778	3,089	.576
Under \$150.00.....	1,627	4.5	100.0	27.8	32.3	17.1	7.8	15.0	580	1,078	.538
\$150.00 to \$199.99.....	2,932	8.0	100.0	23.5	34.8	19.7	10.8	11.2	762	1,534	.497
\$200.00 to \$249.99.....	3,691	10.1	100.0	19.9	29.7	22.3	13.0	15.1	964	1,959	.492
\$250.00 to \$299.99.....	3,123	8.6	100.0	19.7	24.1	19.9	15.7	20.6	1,221	2,393	.510
\$300.00 to \$349.99.....	3,417	9.3	100.0	17.4	22.1	15.5	15.8	29.2	1,465	2,843	.515
\$350.00 or more.....	21,761	59.5	100.0	13.3	13.3	8.2	8.2	56.9	2,274	3,779	.602

Among beneficiary families affected by the earnings test, more than three-fourths of those with dependents but only 35 percent of the male worker-only families received monthly benefits of \$250 or more. Families with dependents therefore tended to have more benefits against which earnings could be offset and thus possibly could retain some benefits, though the same amount of earnings offset all the benefits payable to "worker-only" families. Lower earnings among beneficiary families with dependents also help to account for proportionately smaller losses of benefits. The data indicate that among beneficiary families with the highest monthly benefit amounts, the proportion of retired-worker beneficiaries earning \$5,281 or more was somewhat lower among families with children than among male "worker-only" families.

It does not always prove financially advantageous to work since earnings beyond \$2,880 do not contribute to the net income of the beneficiary family unless earnings exceed the point at which all benefits are offset. A worker entitled to benefits for all

months of 1971 at the monthly rate of \$250 would not, for example, gain anything from earnings from \$2,881 to \$5,280. He would have to earn much more than \$5,280 to benefit financially from earnings beyond \$2,880. Yet the data indicate that many beneficiary families with a monthly benefit amount of \$250 or more earned \$2,881-\$5,280. The proportion of beneficiary families with earnings in this range was particularly high for retired-worker beneficiary families with dependent children—about 31 percent of the "worker and children" families with monthly benefits of \$250-\$299 and about 14 percent of those with monthly benefits of \$350. Among "worker, spouse, and children" families, the corresponding proportions were 36 percent and 16 percent. On the other hand, less than 10 percent of "worker-only" families with monthly benefits of \$250 or more had earnings within this range. As pointed out earlier, families with higher monthly benefits would have had to earn considerably more than those with low monthly benefits to realize a financial advantage from annual earnings above \$2,880.

Some retired-worker beneficiaries had earnings within the nonoptimal range—for several possible reasons. First, some of them could not control the conditions of their employment and may have had to earn more than \$2,880 in order to earn anything at all. The need to supplement the retirement income may have prompted them to continue to work, even if earnings beyond \$2,880 did not provide an additional financial advantage. The need for additional income was probably greater for those with dependent children and, with taxes disregarded, earnings beyond \$2,880 created at least \$2,280 of additional income. Some individuals may not have been aware of the optimal amount of earnings in relation to their benefits and worked beyond that point (even if they had some control over how much they could earn). Finally, some individuals may have derived something other than financial satisfaction from their work. Such considerations as status, associations with others, and the opportunities for accomplishment and self-expression provided by their work may have outweighed financial motives.

TABLE 7.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1971, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AND AVERAGE BENEFIT AMOUNT WITHHELD AND BEFORE WITHHOLDING, BY TYPE OF EMPLOYMENT AND SEX

Type of employment and sex	Number	Total	Percentage distribution, by amount of earnings					Average benefit amount—		Ratio of benefits withheld to amount before withholding
			Earnings unknown	\$1,681 to \$2,880	\$2,881 to \$4,080	\$4,081 to \$5,280	\$5,281 or more	Withheld	Before withholding	
Total.....	1,528,309	100.0	9.2	18.0	10.5	11.3	51.0	\$1,426	\$2,009	0.710
Wage and salary.....	874,718	100.0	6.8	26.7	14.5	12.0	40.0	1,095	1,888	.580
Men.....	558,405	100.0	7.3	22.5	12.3	11.5	46.4	1,201	2,052	.585
Women.....	316,313	100.0	5.9	34.2	18.2	12.9	28.8	908	1,601	.567
Self-employed.....	83,342	100.0	6.5	35.0	17.4	10.7	30.4	986	2,130	.463
Men.....	72,251	100.0	6.8	33.5	17.1	10.7	31.9	1,017	2,206	.461
Women.....	11,091	100.0	4.2	44.4	19.3	10.9	21.2	781	1,633	.478
Wage and salary and self-employed.....	25,643	100.0	6.4	28.5	17.6	12.7	34.8	978	2,055	.476
Men.....	21,988	100.0	6.7	28.0	17.4	12.5	35.4	992	2,114	.469
Women.....	3,655	100.0	4.8	31.7	18.7	13.5	31.2	891	1,686	.525
Type unknown.....	544,696	100.0	13.7	.9	2.6	10.2	72.6	2,045	2,182	.937
Men.....	415,305	100.0	13.7	.7	1.9	6.9	76.8	2,130	2,273	.937
Women.....	129,391	100.0	13.8	1.6	4.9	20.6	59.1	1,774	1,987	.940

Among persons whose earnings were high enough to be affected by the earnings test, the type of employment (either wage and salary, self-employment, or a combination of the two) was obtained for about 60 percent of the men and 70 percent of the women from the annual reports they were required to file. Relatively more men than women were self-employed or had a combination of wage and salary employment and self-employment.

Type of employment was unknown for a substantial number of workers—mainly those who were not required to file annual reports because their earnings were high enough to offset all benefits payable for the year. While type of employment was not available for this group, the amount of earnings was available for most of them from their earnings records. At least 77 percent of these men and 59 percent of the women had earnings above \$5,280. Among those whose type of employment was known, relatively fewer men and women had earnings above \$5,280 (table 7). Entitled workers whose type of employment was not known lost about 84 percent of their benefits to earnings.

The proportion of entitled workers with earnings of \$1,681–2,880 was higher among those with earnings from self-employment

than among those with earnings from salaries and wages only or from both salaries and wages and self-employment. The self-employed probably had more control over the amount of time that they worked or over their level of earnings than those who had worked for an employer. It is difficult to draw conclusions about the relationship of earnings to type of employment, because of the large number of workers whose type of employment was unknown.

MONTHS OF ENTITLEMENT AND NONWORK

Tables 8 and 9 show information on the number of months workers were entitled in 1971 (either 12 months or less than 12 months) and the number of months in which they did not earn over \$140 or did not render substantial services in self-employment (nonwork months). Both for months of entitlement in 1971 and for nonwork months the pattern did not differ much among men and women but did differ for the two age groups. The proportion of retired-worker beneficiaries entitled for all months of 1971 was higher among those aged 65–71 than among those aged 62–64. More of the younger group may have become entitled during the year, but more of the older group may have been on the rolls for some time.

The proportion of those who had one or more nonwork months was higher for the group aged 62–64 than for those aged 65–71. Since those under age 65 would have little incentive to file for benefits unless they could actually receive some payment, the fact that there were months for which payment could be made (regardless of total annual earnings) might have prompted some people in this age group to come on the rolls.

One would expect that persons with earnings from self-employment would have more nonwork months than persons with earnings from wages and salaries or a combination of the two types of employment since the self-employed may have greater control over their work time. The data indicate, however, that among those whose type of employment was known, relatively more of those with a combination of wage and salary and self-employment had some nonwork months than did those who had either wage and salary employment or self-employment. As expected, all persons whose types of employment was unknown had zero nonwork months—these were individuals who did not file annual reports because no benefits were payable to them for the year.

TABLE 8.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1961, NUMBER OF MONTHS OF ENTITLEMENT AND NUMBER OF NONWORK MONTHS, BY SEX, AGE GROUP, AND TYPE OF EMPLOYMENT

Sex, age, and type of employment	Length of entitlement									
	Entitled for 12 months					Entitled for less than 12 months				
	Number	Percentage distribution, by number of nonwork months				Number	Percentage distribution, by number of nonwork months			
		Total	0	1 to 6	7 to 11		Total	0	1 to 6	7 to 11
Men.....	797,405	100	60.7	22.9	16.4	270,544	100	57.9	31.3	10.8
62 to 64.....	63,574	100	42.2	31.0	26.8	45,664	100	38.3	51.2	10.5
65 to 71.....	733,831	100	62.3	22.2	15.5	224,880	100	61.9	27.3	10.8
Wage and salary.....	406,016	100	36.4	37.8	25.8	152,389	100	33.3	49.6	17.1
Self-employed.....	59,529	100	27.7	38.6	33.7	12,722	100	36.8	47.9	15.3
Wage and salary and self-employed.....	16,579	100	27.1	39.4	33.5	5,409	100	22.9	57.5	19.6
Type unknown.....	315,281	100	100.0	0	0	100,024	100	100.0	0	0
Women.....	354,618	100	60.7	23.2	16.1	105,832	100	52.7	37.8	9.5
62 to 64.....	44,983	100	46.2	30.8	23.1	29,729	100	32.2	60.5	7.3
65 to 71.....	309,635	100	62.8	22.1	15.1	76,103	100	60.6	29.0	10.7
Wage and salary.....	242,794	100	45.5	32.3	22.2	73,519	100	34.2	52.6	13.2
Self-employed.....	8,958	100	42.9	29.7	27.4	2,133	100	43.5	43.8	12.7
Wage and salary and self-employed.....	2,989	100	35.5	37.3	27.2	666	100	23.5	62.1	14.3
Type unknown.....	99,877	100	100.0	0	0	29,514	100	100.0	0	0

The proportion of retired-worker beneficiaries with earnings exceeding \$5,280 was higher among those whose entitlement during 1971 was less than 12 months than among those who were entitled for the entire year (table 9). Possibly some of those who were entitled for less than a full year were working at fairly high wages until they retired; others might have been working full time and came onto the rolls solely to file for Medicare. Relatively more of those who were entitled for all months of 1971 may have been working at fairly low wages to supplement their retirement income.⁵

Retired-worker beneficiaries with 7–11

nonwork months had substantially lower earnings than those with from 0 to 6 nonwork months, as expected, since the former had fewer months in which to accumulate substantial total earnings. The earnings level for those with 1–6 nonwork months did not differ substantially from the earnings level for those with zero nonwork months. Those with 1–6 nonwork months, however, lost a much lower proportion of the total benefits payable to them. Among men entitled for less than 12 months, for example, those with zero nonwork months lost about 90 percent of the benefits payable, but those with 1–6 nonwork months lost only about

57 percent of their benefits. Obviously, those with some nonwork months were able to receive benefits for these months.

⁵ The earnings-test provisions are the same, regardless of the number of months of entitlement in the year. Thus, if a worker entitled for less than a full year earned more than \$1,680 he would be subject to the earnings test (even if some of that amount had been earned before he became entitled to benefits). For a discussion of the effect of the earnings test on persons with part-year entitlement, see Barbara A. Lingg, *Social Security Bulletin*, January 1975, pp. 28–34.

TABLE 9.—NUMBER OF RETIRED-WORKER BENEFICIARIES AFFECTED BY EARNINGS TEST IN 1971, PERCENTAGE DISTRIBUTION BY AMOUNT OF EARNINGS, AND AVERAGE BENEFIT AMOUNT WITHHELD AND BEFORE WITHHOLDING, BY SEX, MONTHS OF ENTITLEMENT, AND NUMBER OF NONWORK MONTHS

Sex and number of nonwork months	Number	Percent of total	Total	Percentage distribution, by amount of earnings					Average benefit amount—		Ratio of benefits withheld to amount before withholding
				Amount of earnings unknown	\$1,681 to \$2,880	\$2,881 to \$4,080	\$4,081 to \$5,280	\$5,281 or more	Withheld	Before withholding	
MEN											
Entitled 12 mo											
Total.....	797,405	100.0	100.0	10.3	17.7	9.1	9.3	53.6	\$1,771	\$2,476	0.715
0 nonwork months.....	484,063	60.7	100.0	12.4	12.5	6.7	6.4	62.0	2,087	2,469	.845
1 to 6 nonwork months.....	182,909	22.0	100.0	9.3	13.2	9.4	16.3	51.8	1,594	2,501	.637
7 to 11 nonwork months.....	130,433	16.4	100.0	3.7	43.9	17.4	10.3	24.7	847	2,464	.344
Entitled less than 12 mo											
Total.....	270,544	100.0	100.0	8.2	6.4	7.5	10.7	67.2	880	1,188	.741
0 nonwork months.....	156,644	57.9	100.0	12.5	5.0	5.1	8.0	69.4	1,048	1,164	.900
1 to 6 nonwork months.....	84,786	31.3	100.0	2.4	6.3	9.9	14.4	67.0	665	1,159	.574
7 to 11 nonwork months.....	29,114	10.8	100.0	1.7	14.0	13.8	15.2	55.3	599	1,399	.428
WOMEN											
Entitled 12 mo											
Total.....	354,618	100.0	100.0	8.6	28.7	14.7	14.2	33.8	1,272	1,895	.671
0 nonwork months.....	215,381	60.7	100.0	9.8	25.6	16.5	13.3	34.8	1,424	1,905	.746
1 to 6 nonwork months.....	82,066	23.2	100.0	9.7	15.9	12.8	18.5	43.1	1,307	1,965	.665
7 to 11 nonwork months.....	57,171	16.1	100.0	2.5	59.1	11.1	10.9	16.4	651	1,759	.370
Entitled less than 12 mo											
Total.....	105,832	100.0	100.0	6.1	13.7	13.8	18.7	47.7	732	970	.755
0 nonwork months.....	55,742	52.7	100.0	9.4	13.5	11.4	18.0	47.7	850	973	.874
1 to 6 nonwork months.....	40,034	37.8	100.0	2.4	11.8	16.1	17.9	51.8	603	951	.634
7 to 11 nonwork months.....	10,056	9.5	100.0	2.2	22.5	14.6	19.2	41.5	584	1,025	.570

Differences in earnings between those with zero or 1-6 nonwork months and between those with 7-11 nonwork months were greater among those entitled for all months of 1971 than among those entitled for less than 12 months. Among men entitled for all months of 1971, for example, the proportion with earnings exceeding \$5,280 was about 52 percent for those with 1-6 nonwork months and 25 percent for those with 7-11 nonwork months. Among men entitled for less than 12 months, the proportions were 67 percent and 55 percent, respectively. It is likely that many of those with less than 12 months of entitlement in 1971 were new entrants to the social security rolls and may have had fairly high earnings before retirement but several nonwork months after retirement. On the other hand, many of those with 12 full months of entitlement in 1971 were not new entrants; they may have been working at lower wages to supplement their retirement benefits and the 7-11 nonwork months would hold down their total earnings considerably.

TECHNICAL NOTE^a

All data, except those presented in table 2, were derived on a 100-percent basis from the Social Security Administration's master beneficiary record. Sampling variability calculations for the data in table 2 (derived from the 1971 Continuous Work History Sample) are shown in table I.

Since the estimates (in percentages) are based on sample data, they are subject to sampling variability, which can be measured by the standard error. The chances are about

^a The contributions of Robert H. Finch and Beatrice K. Matsui, Division of OASDI Statistics, to the sampling variability calculations are acknowledged. For details on the sample design see *Earnings Distributions in the United States, 1968*, Office of Research and Statistics, 1973, pp. 316-18.

98 out of 100 that the differences due to sampling variability between a sample estimate and the figure that would have been obtained from a compilation of all records is less than the standard error. The chances are 95 out of 100 that the difference is less than twice the standard error and about 99 out of 100 that it is less than 2½ times the standard error. Table I (expressed in percentage points) shows the standard error for percentages of persons with a particular characteristic. Linear interpolation may be used for estimated percentages and base figures not shown here.

TABLE I.—APPROXIMATIONS OF STANDARD ERRORS OF ESTIMATED PERCENTAGES

Base of percentages (in thousands)	2 or 98	5 or 95	10 or 90	20 or 80	35 or 65	50
All workers:						
25,000.....	(1)	(1)	0.10	0.10	0.10	0.10
50,000.....	(1)	(1)	(1)	.10	.10	.10
75,000.....	(1)	(1)	(1)	.10	.10	.10
Workers aged 65 and over:						
750.....	0.20	0.30	.40	.50	.60	.60
1,000.....	.10	.20	.30	.40	.50	.50
2,500.....	.10	.10	.20	.30	.30	.30

¹ Less than 0.1 percent.

Mr. GOLDWATER. Mr. President, what is the time situation?

The PRESIDING OFFICER. The Senator from Arizona has 7 minutes.

Mr. GOLDWATER. Mr. President, if my friend from Wisconsin is willing, I am perfectly willing to yield back.

Mr. BAYH. Mr. President, will the Senator yield me just a moment?

Mr. GOLDWATER. I have 7 minutes. How much does the Senator need?

Mr. BAYH. A couple minutes will be fine.

I say to my friend from Arizona, I put a rather lengthy statement in the Record when I knew I was going to have to be downstairs in the Appropriations Committee trying to resolve this controversy we are having with the House on the HEW appropriations bill.

I have supported this proposition for a long period of time, and I hope that the Senate will sustain our position.

Mr. GOLDWATER. Mr. President, unless there are other Senators who wish to speak in favor, I gladly yield back the remainder of our time so we may allow the Senator from Idaho to get out his long knife and see what can be done.

Mr. NELSON. I want to see that as soon as possible.

Do Senators want any time yielded to them?

Mr. President, I yield back the remainder of my time.

Mr. GOLDWATER. I yield back the remainder of my time.

The PRESIDING OFFICER. All time has been yielded back.

ADDITIONAL STATEMENTS SUBMITTED

Mr. BAYH. Mr. President, I rise in support of the amendment submitted on behalf of Senator GOLDWATER, myself, and several of our colleagues. This amendment is very similar to legislation which I introduced earlier this Congress. It would take the beneficial reforms made by the Finance Committee in the area of outside earning limitation one step further by eliminating this restriction altogether by the year 1982.

It is stating the obvious to say that inflation has had a particularly disastrous impact on our Nation's older citizens.

During this past year, I am sure nearly every Member of this body has spoken at some length regarding this subject. It is now time to take action to ease the burden on older Americans. One step we can take in this regard is to alter the present earning limitation for recipients of social security.

Mr. President, the central fact about social security is that it does not provide enough income for retired persons to live decently. Even with the increased level of benefits that went into effect in June, the soaring cost of living has left many social security recipients striving just to get by. Those who have no other income than their social security check live—strictly speaking—in poverty. Nearly 25 percent of the population over 65 falls into this category according to the Census Bureau. As of March of this year, this represents 3.5 million persons. In all too many cases, the only solution for many of these elderly citizens is welfare. And yet, despite these facts, existing law makes it impossible for many older Americans to raise their standard of living to a comfortable level.

The present law now permits an individual to earn up to \$3,000 a year without any reduction in his or her social security benefits. Above that dollar amount, however, he or she must sacrifice a dollar in benefits for every \$2 earned. This means that a single person between the age of 65 and 72 who is able and willing to hold down even a modestly paying job must give up every cent of the social security benefits to which a lifetime of work and as much as 35 years of paying into the trust fund entitles him or her.

The Senate Finance Committee has taken an important step toward easing this burden on our older citizens. Under the provisions of the Finance Committee bill, the earnings limitation is raised to \$4,500 in 1978 and to \$6,000 in 1979. Our amendment, similar to one offered in the House by Representative KETCHUM, would remove any monetary limitation on outside earnings whatsoever by the year 1982.

The total repeal of the outside earnings limitation would benefit some 4 million older workers. This includes 2 million workers whose benefits have been actually denied or reduced as a result of the earnings test. Additionally it is estimated that another 2 million older workers who now are out of the work force would return upon the repeal of the earnings limitation.

There are two concerns which have been raised regarding this amendment. The first is its cost. It would not cost several billion dollars as many have projected. According to the Social Security Administration, the cost of eliminating the restriction entirely would be only \$1 billion more than the changes already made by the Finance Committee provisions. It has been estimated that this represents less than a one-tenth of 1 percent payroll tax increase on employers and employees.

The second concern is that this

amendment benefits only the very wealthy. According to figures just released by the Census Bureau for 1975, only 6 percent of all workers 65 years of age or older had incomes of more than \$20,000 from any source of income. This same report showed that only 11 percent of all families headed by a person over the age of 65—even families with more than one wage earner—had a combined family income of over \$23,000.

Even for those few older Americans whose income may be in excess of the \$20,000 figure, I feel that these citizens are entitled to collect the social security benefits they had earned over a lifetime of hard work.

This latter fact, Mr. President, leads me to an observation concerning the basic philosophical character of our social security system. At the insistence of President Franklin Roosevelt, the system was designed as a contributory insurance plan instead of simply—as some of his advisers urged—an old-age benefit paid out of general revenues. Mr. Roosevelt's point, which he made very explicit, was that if people paid insurance premiums into a special fund out of their own earnings, no future generation of politicians could ever take it away from them by labeling it a Government hand-out.

In other words, because of the way the system was consciously designed by one of our greatest Presidents, social security benefits today are a matter of earned right, not Federal largess. It, therefore, seems to me not only mistaken but improper for anyone to try to claim that benefits are and ought to be conditional upon an agreement not to be gainfully employed. Social security was not designed to include a means test. Its benefits are not predicated upon how much private income one might have. One does not have to plead poverty in order to qualify for a monthly social security check. For those who have paid into the system over these many years, the benefit is a matter of right.

Mr. President, that is the philosophy underlying the social security system. It is clear that an earnings limitation, which so weakens the automatic, rightful character of benefit payments, is inconsistent with that philosophy.

Furthermore, the earnings limitation penalizes only those social security recipients who earn wages or are self-employed. Pensions, no matter how large, are not counted in the limitation. Nor is interest and dividend income. The retired corporation executive can enjoy a pension of \$50,000 a year and have investment income double that amount and still not lose one penny of social security. But the cabinetmaker or electrician who wants to continue his life's work and be paid for it may have to give up his entire social security check.

That is not fair. It is not sensible. It is not necessary.

Certainly, Mr. President, I do not begrudge the corporation executive the social security payment to which his own contributions entitle him. But I deeply resent the discrimination practiced against working people by a system that penalizes them for the fruits of their own

labor. I urge my colleagues to approve this amendment.

Mr. CRANSTON. Mr. President, I have long worked to raise the law's present \$3,000 limit on the amount of income people can earn without a reduction of their social security benefits.

Now I am highly gratified that the Senate is about to approve a committee bill which will raise that limit from \$3,000 to \$6,000, and provide for automatic future increases in that \$6,000 limit by increases in the cost of living. These features will allow our present social security beneficiaries to undertake other work and to earn up to \$6,000 without a reduction in their social security checks. This is the content, of course, of the action we have just taken to reduce from 72 to 70 the age at which our social security beneficiaries may have unlimited outside earned income without any reduction in their benefits.

Removing the earnings limitation entirely would make a radical change in the character of the social security program. It would convert the social security program from a retirement program to an annuity program. The social security program has always been designed to the needs of our older Americans who have retired from the work force. Lifting the earnings limitation would actually benefit only a very small group of recipients with earned income in excess of the \$6,000 provided in the committee bill. Even so, this amendment would add billions of dollars of extra new costs to the severely strained social security system. These costs would have to be made up with added taxes from employers and employees. I believe the committee bill represents a major increase in taxes—an increase which the American people are willing to support. I think it is unwise at this time to add to the major payroll tax increase already provided in this bill.

Mr. LAXALT. Mr. President, I strongly support the amendment offered by the Senator from Arizona. I voted for it in the Finance Committee where it lost by a tie vote and I urge my colleagues to support it now.

To me, the earnings limitation on social security is unfair. It is inequitable. It dampens work incentives. And, it imposes an oppressively high marginal tax rate on those least able to pay. I would prefer to see the earnings limitation abolished outright. But, short of that, I am delighted to support a measure which would phase it out by 1982.

Earlier this year, I introduced S. 1020, a bill which would have the same effect as the Goldwater amendment but which would eliminate the earnings limitation by reducing the age limit 1 year at a time from its present level of 72 down to 65 in 1984, by which time the test would be abolished entirely.

INEQUITY

Mr. President, it is all too easy to argue that virtues of frugality and the need for individuals to make their own provisions for retirement as a theoretical justification for penalizing those who must work to make ends meet because they simply cannot make it on their meager social security allowances. But,

that argument ignores the suffering which these individuals must endure because of the retirement test, while others, with substantial investments and alternative pension incomes, utilize social security benefits for pin money.

As a member of the Finance Committee and one who has devoted considerable attention to social security questions, I simply cannot accept the argument that those who must work to live should be penalized, but those who have ample income from other sources may continue to receive full social security payments. I understand the problem with applying a means test to investment income and I have no intention of going that route. Accordingly, it seems to me that the only practical means for resolving this inequity is to remove the penalty on wage earnings.

WORK INCENTIVES

Personally, I believe that any citizen who wishes to make a productive contribution should be encouraged to do so. As the ranking Republican on the Social Security Subcommittee of the Finance Committee, I recognize the need for a comprehensive look at the financial status of the social security trust funds and, although I support a different fiscal approach from that which the committee ultimately adopted, I am pleased to see the financial status of the trust funds guaranteed by the committee bill. However, within the context of an overall strengthening, I feel we also need to do away with the inequitable and counterproductive retirement test.

Mr. President, as you know, the Senate has recently affirmed the premise that the contributions which the elderly bring to our society by virtue of their diligence and experience should not be arbitrarily discouraged. In H.R. 5383, the Age Discrimination Amendments of 1977, the Senate voted overwhelmingly to increase the mandatory retirement age from 65 to 70. In that vote the Senate made clear that the elderly should be judged on their ability and competence and that their contributions to the work force are to be encouraged rather than discouraged. It seems to me that an abolition of the earnings limitation would be a further reaffirmation of the Senate's faith in the positive contributions of the elderly.

OPPRESSIVE TAX RATE

Mr. President, the economic status of our elderly is a serious national problem. Many who have paid taxes and have contributed to our society all their working lives now find themselves dependent on cash and in-kind public income transfer programs. While no stigma should be attached to these programs, those elderly who are able and willing to work should be encouraged to do so. And, most emphatically, those who have to work to make ends meet should not be subject to punitive tax rates by an unfair earnings limitations test.

It has come to my attention that an elderly person earning \$4,000 in 1975 would have been subject to a marginal tax rate on \$1,480 earned over the social security earnings limitations ceiling of approximately 70 percent. This is equal

to the highest rate in the Internal Revenue tax table and one which many tax reform advocates have proposed reducing on the basis of the fact that it is exorbitant. Surely, such a level which has been found excessive for high income individuals should not be imposed on those among our elderly who are seeking only to make ends meet. In my judgment, a government policy which imposes such punitive penalties on a most vulnerable sector of our society is indefensible.

Mr. President, I am pleased to co-sponsor the proposal of the Senator from Arizona. I know he has worked long and hard to eliminate the earnings limitation and he deserves the thanks of all of us for his efforts. I certainly will vote with him and I urge all of my colleagues to do likewise.

Mr. JAVITS. Mr. President, for many years I have advocated the phased elimination of the social security earnings limitation. It has long been my belief that older Americans who must work to support themselves should be able to do so without losing their social security benefits. The grave financial situation of the social security system, however, make this phasing question a decisive one.

Secretary Califano has stated that the Goldwater amendment which would remove the earnings limitation altogether would benefit a "privileged minority—1.3 million of the Nation's 22 million retirees." The Secretary has observed that if the retirement test were eliminated, more than half of the new benefits would go to people earning more than \$10,000 a year. I realize that some have taken issue with Secretary Califano's analysis, but I feel that it raises sufficient doubts about the effect of the Goldwater amendment that the Congress cannot go all the way at this time in eliminating the earnings limitation.

The administration has also pointed out that the Goldwater amendment will cost approximately \$23 billion in the years from 1982-87. Even though this amount may be offset somewhat by increased social security taxes (as well as income taxes) resulting from the continued employment of Americans past age 65, the cost is still sufficiently large to deter us from moving to eliminate the whole earnings limitation at this time. The basic thrust of the social security bill under consideration is to restore the system's financial soundness, and we should not include an amendment which will interfere with this objective. It appears to me that the price tag for the Goldwater amendment as matters stand now is too high.

Consequently, Mr. Chairman, I will support the position of the Finance Committee as modified by the Church substitute, which is to raise the present \$3,000 earnings limitation to \$4,500 in 1978 and to \$6,000 in 1979. After 1979, the \$6,000 level would increase automatically as wage levels rise. I will also support the Church amendment which will reduce the upper effective age for the earnings limitation from age 72 to age 70. This amendment will permit people 70 years of age and older to earn more than \$6,000 in 1979 (if the committee bill is passed) without incurring a reduction

in social security benefits. I believe this approach will help low income people who must work beyond age 65 without paying unreduced benefits to high income individuals who do not need such benefits.

AMENDMENT NO. 1054

(Purpose: Relating to repeal of earnings limitation for workers age 70 and over.)

Mr. CHURCH. Mr. President, I send an amendment to the desk in the nature of a substitute.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Idaho (Mr. CHURCH) proposes unprinted amendment No. 1054 in the nature of a substitute to unprinted amendment No. 1052.

Mr. CHURCH. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

In lieu of the language proposed to be inserted by the Goldwater amendment (U.P. 1052) insert the following:

REPEAL OF EARNINGS LIMITATION FOR INDIVIDUALS AGE 70 AND OVER

SEC. . (a) Subsections (c)(1), (d)(1), (f)(1), and (j) of section 203 of the Social Security Act are each amended by striking out "seventy-two" and inserting in lieu thereof "seventy".

(b) Subsection (f)(3) of section 203 of such Act is amended by striking out "age 72" and inserting in lieu thereof "age 70".

(c) Subsection (h)(1)(A) of section 203 of such Act is amended by striking out "the age of 72" and "age 72" and inserting in lieu thereof in each instance "age 70".

(d) The heading of subsection (j) of section 203 of such Act is amended by striking out "Seventy-two" and inserting in lieu thereof "Seventy".

(e) The amendments made by this section shall apply only with respect to taxable years ending after December 31, 1981.

In the matter proposed to be added to sections 3101 and 3111 of the Internal Revenue Code of 1954 by sections 103(a)(1) and 103(b)(1) of the bill:

In paragraph (4) strike out "5.35" and insert in lieu thereof "5.40"; except for calendar year 1981 it shall remain at 5.35

In paragraph (5) strike out "5.65" and insert in lieu thereof "5.70";

In paragraph (6) strike out "6.10" and insert in lieu thereof "6.15";

In the matter proposed to be added to section 1401 of the Internal Revenue Code of 1954 by section 103(1) of the bill:

In paragraph (5) strike out "8.50" and insert in lieu thereof "8.55"; except for 1981 it shall remain at 8.50

In paragraph (6) strike out "9.15" and insert in lieu thereof "9.25";

Mr. CHURCH. Mr. President, I shall explain the amendment, and yield myself such time as I may require.

Before proceeding, I first ask unanimous consent that Mr. Ronald Davis be accorded the privilege of the floor to provide technical assistance during the consideration of my amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CURTIS. I ask unanimous consent that Mr. Robert Myers, an actuarial consultant on the Committee on Finance, be

accorded the privilege of the floor during consideration of this measure and vote.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAYH. Mr. President, will the Senator yield 30 seconds for a unanimous consent?

Mr. CHURCH. I yield.

Mr. BAYH. I make a similar request for Barbara Dixon, of my staff, during debate and consideration of this bill, amendments thereto, and votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHURCH. Mr. President, it is unnecessary for me to speak at length.

In offering the amendment that has already been characterized as one intended to gut the Goldwater amendment, I feel like a man alone on the beach watching an approaching tidal wave, because I fully understand the tidal wave appeal of the amendment offered by the distinguished Senator from Arizona.

But I think that if the Members of the Senate had an opportunity to analyze his amendment carefully, if they had been present during the debate to hear the arguments of the Senator from Texas (Mr. BENTSEN), the manager of the bill (Mr. NELSON), the able junior Senator from New York, and the distinguished chairman of the Finance Committee, the vote would be different.

There is no doubt who the beneficiaries of the Goldwater-Dole amendment will be. They will be the well-to-do, those who need the benefits the least. The beneficiaries of this amendment will be the doctors, the lawyers, the engineers, the architects, the business executives, and the Wall Street financiers, those professional people who tend to continue to work after the age of 65. They work because they like their professions. They are engaged actively in them. And they are lucrative professions, to be sure. These people are not complaining about being denied social security. They do not expect to get it, while they continue to work. It will come as a complete surprise to them if this amendment is agreed to and all at once they are presented with this largesse from the social security fund which they neither asked for nor need. This is a largesse, as it has been explained by the manager of the bill, which they have not paid for through their contributions to social security, but which will be paid for by ordinary working people through their future payroll taxes.

Mr. President, it has also been pointed out that the effect of the Goldwater amendment will be to transform, in a single stroke, a retirement program into an annuity. That was not the purpose of social security when it was first adopted. It was to be, and to this moment has continued to be, a retirement program. The reason the retirement test was included in social security was to provide a method for determining whether or not a person was retired. If we transform social security into an annuity program, then it is irresponsible to say that it will not cost anything. The truth is that it will constitute a tremendous new burden upon a fund that was never

intended to be an annuity fund in the first place.

You cannot, with a single stroke, convert social security from a retirement system to an annuity system and say, in the same breath, that it will not cost anything. You cannot put the working rich into this system, and pay them \$8,400 a year, out of a fund into which they have made no commensurate contribution, and then say it will cost next to nothing.

The costs are heavy, and I will include in the Record from the Office of the Actuary of Social Security itself the difference between the costs of the Goldwater amendment and the amendment I have offered and will now explain.

Mr. KENNEDY. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. CHURCH. Mr. President, I am happy to yield to the Senator from Massachusetts for a unanimous-consent request.

Mr. KENNEDY. I ask unanimous consent that Mr. Parker and Mr. Urwitz, of my office, be accorded the privilege of the floor during consideration of this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHURCH. Mr. President, I listened with some amusement to the argument of the Senator from Kansas when he said he was not really interested in these wealthy people by allowing them to draw out benefits from social security, once they become 65, regardless of what their income may be and regardless of whether or not they continue to work. No, he said his concern was with the great mass of older people who will benefit from the Goldwater amendment.

I am also interested in the more typical beneficiary, that working man or woman, on a very modest retirement income, who has to do some work in order to augment his or her retirement. We want to eliminate the need for anybody on social security to be overly restricted in what they may earn, after retirement.

Mr. President, I have not only been aware of the problem imposed by a limitation too severe, but I fully sympathize. I cannot remember a time when I have not voted in favor of increasing the retirement test, in an effort to catch up with the rising cost of living.

I agree that, despite past efforts to liberalize the retirement test, the present amount is too restrictive. The \$3,000-a-year limitation now does impose too severe a limitation upon the right of people on limited retirement incomes to earn extra money for the purpose of augmenting their retirement.

But, Mr. President, the committee bill takes care of those people. The ones who need it are being provided for. Next year, the retirement test jumps from a projected \$3,240 of permissible earned income to \$4,500, before social security retirement benefits are reduced. In 1979, the retirement test jumps all the way to \$6,000 that can be earned before the first dollar in social security benefits is lost. My amendment would not change these figures in the Finance Committee bill.

Furthermore, Mr. President, I agree that, at some point, at an appropriate

age level, the retirement test should no longer apply. Under present law the retirement test no longer applies at the age of 72. Then an aged individual can receive his or her social security benefits whether or not that person retires. Otherwise, some persons may work all their lives and never receive social security benefits, even though they paid the social security tax.

My amendment would reduce the age to 70. I think 70 is the appropriate age level because it conforms with an action taken by Congress within the past few weeks to extend the mandatory retirement age from 65 to 70.

Now, those Senators who participated in that debate will remember one of the reasons advanced for extending the mandatory retirement age in this country from 65 to 70 was that this would provide an incentive for older people to continue to work which, in turn, could ease the heavy burden on the social security fund.

Well, I submit, Mr. President, that we are acting in a completely inconsistent way if after raising the mandatory retirement age to 70, on the strength of the argument that this would ease the burden on the social security fund by permitting people who wanted to continue to work to do so, we turn around and adopt the Goldwater amendment which has just the opposite effect by allowing them to receive social security anyway, whether or not they retire.

Thus, the whole incentive is eliminated in a single stroke, and the one action of Congress would be in contradiction with the other. So, Mr. President, the first argument I would make for my amendment is that 70 is the logical age at which social security retirement benefits should be paid, whether or not the person chooses to continue to work. At that point, we could logically say that since we have established, by law, the age of 70 as the mandatory retirement age for all Americans, then social security beneficiaries may receive their benefits whether or not they continue to work, regardless of their income, and without the earnings limitations imposed by a retirement test.

The second reason I would advance in support of my amendment is that it is simply too costly to adopt the Goldwater amendment.

Mr. President, we have asked the Office of the Actuary for the Social Security Administration to provide a comparison of the costs between the Goldwater amendment, which would eliminate the retirement test at the age of 65, and my amendment which would eliminate that test at the age of 70. Since both amendments take effect beginning in the year 1982, here is the comparison: In that year, 1982, the added costs to the social security system imposed by the Goldwater amendment would be \$2.4 billion as compared to \$0.4 billion for my amendment.

In 1983, the cost of the Goldwater amendment, the added cost, would be \$2.5 billion as compared to \$0.4 billion.

In 1984, the cost would be \$2.5 billion as compared to \$0.4 billion; in 1985, \$2.6 billion as compared to \$0.4 billion; in

1986, \$2.7 billion as compared to \$0.4 billion; and in 1987, \$2.7 billion as compared to \$0.4 billion.

So, in each of these years, following the time my amendment would take effect, the Goldwater amendment would cost about \$2 billion a year more than the amendment I am offering. These figures are given to us by the Office of the Actuary of the Social Security System.

I ask unanimous consent that a table of the comparative costs of the two amendments be printed in the Record at this point.

There being no objection, the table was ordered to be printed in the Record, as follows:

Cost over committee bill for lowering retirement test exempt age from 72 to 65, or 70, beginning in 1982.

[In billions]

Calendar year	65	70
1982	\$2.4	\$0.4
1983	2.5	.4
1984	2.5	.4
1985	2.6	.4
1986	2.7	.4
1987	2.7	.4
Total	15.4	----

Mr. DOLE. Mr. President, will the Senator yield at that point?

Mr. CHURCH. Yes, I will be happy to yield.

Mr. DOLE. Just to clarify what the Senator put in the Record, is this over and above the committee amendment, being the additional cost?

Mr. CHURCH. Yes. These figures are over and above the cost of the committee bill, comparing the cost of the amendments.

Mr. DOLE. The Senator from Kansas points out that we have different figures that would indicate another conclusion, so it just depends on whose figures are being used.

Mr. CHURCH. I can only say we have gone through the Social Security System for these figures, and I think they are the most accurate we can get.

Mr. DOLE. And the Social Security Administrator is not under the system.

The PRESIDING OFFICER. Who yields time?

Mr. CHURCH. Mr. President, for these reasons I hope very much that this substitute amendment will be adopted. In combination with the committee bill, it does justice. All those who need the relief will receive it. We will not create a completely unjustified bonanza for the richest people in the country, who neither need it nor want it, and we will reduce the age at which the retirement test will be totally abolished to an age that conforms with the mandatory retirement age that has just been established by Congress, and thus bring the two systems into conformity.

Mr. President, I am willing to proceed to a vote on my amendment at any time that the opponents of the amendment are willing to yield back the remainder of their time.

I must say this, however: I heard the

Senator from Kansas say earlier that there may be a motion to table my amendment. I just want him to know that if he moves to table this amendment, then it will be my purpose to move to table the Goldwater amendment, in the event that my amendment fails.

Mr. GOLDWATER. Mr. President, we fully expect that. We have been apprised, and in the interests of time, we have no further use for our time and are prepared to yield it back.

Mr. DOLE. Mr. President, may I have one moment, before the Senator from Arizona yields back his time and makes his motion to table?

Mr. GOLDWATER. Yes.

Mr. DOLE. I just want to point out, as the Senator from Arizona has and the Senator from Kansas tried to do, that the argument is predictable. We understand the Committee on Aging coming to the floor and trying to knock out the effect of the Goldwater-Dole amendment on 8.1 million senior citizens, who are supposedly wealthy and do not need nor want it.

But I ask the Senator, who are they? Doctors and lawyers, perhaps? But what about the teachers, the barbers, the small farmers? I do not think we are going to be stampeded on this floor by glib statistics that do not show anything. I think we will keep in mind the 8.1 million Americans the Senator from Idaho is trying to exclude from the benefits under the amendment of the Senator from Arizona.

Mr. NELSON. Mr. President, I would say to the distinguished Senator from Arizona and the distinguished Senator from Kansas that I wanted to move to table, and I have moved to table, without success in some instances, every other amendment, because Senators said they wanted a straight up or down vote.

I wonder if we could have a straight up or down vote on the Church amendment also, without the Senator making a motion to lay on the table.

Mr. DOLE. Why do we not just have a motion to table each of them? Then we would have other options.

Mr. NELSON. That was the option the Senator from Wisconsin gave up at the request of the Senator from Arizona and the Senator from Kansas.

Mr. DOLE. That was to obtain a time limitation, which we were eager to do, and wanted to accommodate the Senator.

Mr. NELSON. Except that I have no objection to voting on the merits of both amendments. I think that would be the most direct and efficient way to proceed.

Mr. DOLE. I do not quarrel with the Senator's motives in trying to substitute his amendment for the Goldwater-Dole amendment. Therefore, I would think we would want to table his amendment and come back to the merits of what we thought we came to debate, anyway.

Mr. CHURCH. If we are going to have tabling motions, I think tabling motions should apply to both cases.

Mr. GOLDWATER. Mr. President, has all remaining time been yielded back?

Mr. NELSON. I just wish to say my agreement was that I would not move to table, but I would hope the amendment would be tabled if the motion is made, because I am against the amendment.

Mr. GOLDWATER. Mr. President, I move to lay on the table the amendment to my amendment offered by the Senator from Idaho.

The PRESIDING OFFICER (Mr. PELL). Has all remaining time been yielded back on the substitute?

Mr. CHURCH. I yield back the remainder of my time, and I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. All remaining time having been yielded back, the question is on agreeing to the motion to lay on the table the substitute amendment offered by the Senator from Idaho (Mr. CHURCH). The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Arizona (Mr. DECONCINI), the Senator from Maine (Mr. HATHAWAY), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Arkansas (Mr. McCLELLAN), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) and the Senator from Tennessee (Mr. SASSER) would each vote "nay."

Mr. STEVENS. I announce that the Senator from Utah (Mr. HATCH), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr. PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The result was announced—yeas 33, nays 53, as follows:

[Rollcall Vote No. 620 Leg.]

YEAS—33

Allen	Griffin	Randolph
Baker	Hansen	Roth
Bartlett	Hatfield	Sparkman
Bayh	Helms	Stafford
Chafee	Laxalt	Stevens
Curtis	Lugar	Stone
Danforth	McClure	Talmadge
Doie	Morgan	Thurmond
Domenici	Packwood	Tower
Garn	Pell	Wallace
Goldwater	Percy	Young

NAYS—53

Anderson	Eagleton	Matsunaga
Bellmon	Eastland	McGovern
Bentsen	Ford	McIntyre
Biden	Glenn	Meicher
Brooke	Gravel	Metcalf
Bumpers	Hart	Metzenbaum
Burdick	Haskell	Moynihan
Byrd	Heinz	Nelson
Harry F. Jr.	Hollings	Nunn
Byrd, Robert C.	Inouye	Proxmire
Cannon	Jackson	Ribicoff
Case	Javits	Riegle
Chiles	Johnston	Sarbanes
Church	Kennedy	Schweiker
Clark	Leahy	Stennis
Cranston	Long	Stevenson
Culver	Magnuson	Williams
Durkin	Mathias	Zorinsky

NOT VOTING—14

Abourezk	Huddleston	Sasser
DeConcini	Humphrey	Schmitt
Hatch	McClellan	Scott
Hathaway	Muskie	Weicker
Hayakawa	Pearson	

So the motion to lay on the table was rejected.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

Mr. NELSON. Mr. President, I move to reconsider the vote by which the motion to lay on the table was rejected.

Mr. CHURCH. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. HATFIELD and Mr. DOLE addressed the Chair.

Mr. NELSON. Mr. President, may I make an inquiry?

All time has expired and we now proceed to a vote on the Church amendment?

The PRESIDING OFFICER. That is correct.

Mr. DOLE. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator from Wisconsin has the floor.

Mr. NELSON. I yield to the Senator from Kansas for a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state his parliamentary inquiry.

Mr. DOLE. Is the pending business the Church amendment upon which all time has been yielded back? Is that correct?

The PRESIDING OFFICER. The Senator is correct.

The question is on agreeing to the Church amendment.

Mr. DOLE. A further parliamentary inquiry: If the Church amendment is adopted, then the vote would come—the Church amendment is an amendment to the Goldwater amendment. Is that correct?

Mr. CHURCH. Yes, it is a substitute.

The PRESIDING OFFICER. The second vote, if it did pass, would be on the Goldwater amendment as amended.

Mr. DOLE. I wonder if the Senator from Kansas will be able to proceed for 2 minutes on the Church amendment. Maybe we could avoid a rollcall vote.

Mr. NELSON. I ask unanimous consent that each side be allowed 2 minutes to speak on the Church substitute.

The PRESIDING OFFICER. Is there objection?

Without objection, it is so ordered.

UP AMENDMENT NO. 1054

Mr. DOLE. Mr. President, since there are Senators here who were not present before, I think many Senators were persuaded by what they have heard down in the well about the Church amendment costing 20 percent of the Goldwater

amendment. What they were not told in the well—and that is not an accurate statement, either—is that we just knocked out 8 million senior citizens.

Those who voted "no" just took care of 8 million senior citizens who have no right to work any more. Their earning limitation is going to be the same under the committee amendment as modified by the Church amendment.

There are about 23 million people over age 65 and 12 million between 65 and 72. What Senator CHURCH does is cut it off at 70. We have just eliminated about 8.1 million Americans as far as earning limitation. I do not think that was explained. There was a great deal of intensive lobbying going on by both sides to Senators who came into the floor. It seems to the Senator from Kansas that if the Senators knew they were denying benefits to 8 million people, they may not have voted the way they voted. I do not suggest that that be changed at this point, but I do suggest that perhaps the facts were not available at the time.

Mr. NELSON. Mr. President, I should like to respond to that. We do not eliminate 8 million people at all.

The Committee on Finance sets an income limit of \$6,000. That limitation affects only 65,000 people who today are over age 65, out of the 22 million who are over age 65 right now.

That is all it does. The Finance Committee supports the Church amendment.

The PRESIDING OFFICER. Is all time yielded back?

All time is yielded back.

The yeas and nays have not been ordered on this.

Mr. CLARK. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk proceeded to call the roll.

Mr. CRANSTON. I announce that the Senator from Arizona (Mr. DECONCINI), the Senator from Maine (Mr. HATHAWAY), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Arkansas (Mr. MCCLELLAN), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY), and the Senator from Tennessee (Mr. SASSER) would each vote "yea."

Mr. STEVENS. I announce that the Senator from Utah (Mr. HATCH), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr. PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The result was announced—yeas 59, nays 28, as follows:

[Rollcall Vote No. 621 Leg.]

YEAS—59

Abourezk	Curtis	Matsunaga
Anderson	Durkin	McGovern
Bayh	Eagleton	McIntyre
Bellmon	Ford	Melcher
Bentsen	Glenn	Metcalf
Biden	Gravel	Metzenbaum
Brooke	Hart	Moynihan
Bumpers	Haskell	Nelson
Burdick	Hatfield	Nunn
Byrd	Heinz	Proxmire
Harry F., Jr.	Hollings	Ribicoff
Byrd, Robert C.	Inouye	Riegle
Cannon	Jackson	Roth
Case	Javits	Sarbanes
Chafee	Johnston	Schweiker
Chiles	Kennedy	Sparkman
Church	Leahy	Stafford
Clark	Long	Stevenson
Cranston	Magnuson	Williams
Culver	Mathias	Zorinsky

NAYS—28

Allen	Hansen	Stennis
Baker	Helms	Stevens
Bartlett	Laxalt	Stone
Danforth	Lugar	Talmadge
Dole	McClure	Thurmond
Domenici	Morgan	Tower
Eastland	Packwood	Wallop
Garn	Pell	Young
Goldwater	Percy	
Griffin	Randolph	

NOT VOTING—13

DeConcini	Humphrey	Schmitt
Hatch	McClellan	Scott
Hathaway	Muskie	Weicker
Hayakawa	Pearson	
Huddleston	Sasser	

So unprinted amendment No. 1054 was agreed to.

Mr. CHURCH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

The PRESIDING OFFICER. The question is on agreeing to the amendment by the Senator from Arizona, as amended.

Mr. HELMS. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Mr. President, the question is—

UP AMENDMENT NO. 1052, AS AMENDED

The PRESIDING OFFICER. The question is on agreeing to the amendment by the Senator from Arizona (Mr. GOLDWATER), as amended.

Mr. ROBERT C. BYRD. As amended by the Church amendment. I thank the Chair.

The PRESIDING OFFICER. The clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Arizona (Mr. DECONCINI), the Senator from Maine (Mr. HATHAWAY), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. MCCLELLAN), the Senator from Connecticut (Mr. RIBICOFF), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I also announce that the Senator from

Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY), and the Senator from Tennessee (Mr. SASSER) would each vote "yea."

Mr. STEVENS. I announce that the Senator from Massachusetts (Mr. BROOKS), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr. PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

On this vote, the Senator from New Mexico (Mr. SCHMITT) is paired with the Senator from Arizona (Mr. GOLDWATER). If present and voting, the Senator from New Mexico would vote "yea" and the Senator from Arizona would vote "nay."

The result was announced—yeas 79, nays 4, as follows:

[Rollcall Vote No. 622 Leg.]

YEAS—79

Abourezk	Eagleton	Melcher
Allen	Ford	Metcalf
Anderson	Garn	Morgan
Baker	Glenn	Moynihan
Bartlett	Gravel	Nelson
Bayh	Griffin	Nunn
Bellmon	Hansen	Packwood
Bentsen	Hart	Pell
Biden	Haskell	Percy
Bumpers	Hatfield	Proxmire
Burdick	Heinz	Randolph
Byrd	Helms	Riegle
Harry F., Jr.	Hollings	Roth
Byrd, Robert C.	Inouye	Sarbanes
Cannon	Jackson	Schweiker
Case	Javits	Sparkman
Chafee	Kennedy	Stafford
Chiles	Laxalt	Stevens
Church	Leahy	Stevenson
Clark	Long	Stone
Cranston	Lugar	Thurmond
Culver	Magnuson	Tower
Curtis	Mathias	Wallop
Danforth	Matsunaga	Williams
Dole	McClure	Young
Domenici	McGovern	Zorinsky
Durkin	McIntyre	

NAYS—4

Eastland	Stennis	Talmadge
Metzenbaum		

NOT VOTING—17

Brooke	Huddleston	Ribicoff
DeConcini	Humphrey	Sasser
Goldwater	Johnston	Schmitt
Hatch	McClellan	Scott
Hathaway	Muskie	Weicker
Hayakawa	Pearson	

So Mr. GOLDWATER's UP amendment (No. 1052), as amended, was agreed to.

Mr. CHURCH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. NELSON. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. NELSON and Mr. CULVER addressed the Chair.

The PRESIDING OFFICER. The Senator from Wisconsin.

Mr. CHURCH. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. NELSON. I yield.

Mr. CHURCH. Mr. President, the distinguished senior Senator from West Vir-

ginia (Mr. RANDOLPH) has asked that his name be added as a cosponsor to my amendment, and I ask unanimous consent that that be done.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. It is my understanding that we would move to Senator CURTIS' amendment next, and we will agree upon a time limitation, if there is no objection, which will be short.

The PRESIDING OFFICER. Under the previous agreement, we are supposed to move to the amendment of the junior Senator from Arizona (Mr. DeCONCINI).

Mr. CURTIS. Mr. President, will the Senator yield to me?

Mr. NELSON. Yes.

Mr. CURTIS. I have had conversations with the distinguished Senator from Indiana (Mr. BAYH), who is going to call up the DeConcini amendment, and also with Senator ROTH, both of whom were listed ahead of the Curtis amendment.

The request has been cleared with the distinguished Senator from Indiana and with the distinguished Senator from Delaware that I may move ahead and present my amendment as the next amendment, with protection to those two gentlemen that they follow in that order, and I am willing to agree to a 10-minute limitation, 5 minutes on each side.

Mr. NELSON. Is that in the unanimous-consent request?

Mr. CURTIS. And that there will be a rollcall.

Yes.

Mr. NELSON. That is agreeable with me.

Mr. CURTIS. I ask unanimous consent that notwithstanding the previous order the Curtis amendment will be in order next, with a limitation of 10 minutes debate, 5 minutes on each side, and that it be followed by the DeConcini amendment to be offered by Senator BAYH, and followed by the amendment of the distinguished Senator from Delaware (Mr. ROTH).

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object, and I personally will not object, and I hope there will be no objection, will the Senator limit his request at this moment to that of calling up his amendment. Let me be sure the 10-minute limitation can be cleared with a Senator.

Mr. CURTIS. My problem is this: These two gentlemen are yielding to me for this purpose as part of the package deal.

I withdraw it momentarily.

Mr. CULVER addressed the Chair.

Mr. NELSON. Mr. President, I yield to the Senator from Iowa for 2 minutes.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

TIME LIMITATION AGREEMENT ON MR. CURTIS' AMENDMENT

Mr. CURTIS. Mr. President, I renew my request that notwithstanding any other order, that at this time—my unanimous-consent request is that at this time—the Curtis amendment be called up with a time limitation of 10 minutes, 5 minutes on each side, and that following it the distinguished Senator from Indiana (Mr. BAYH) can call up the DeConcini amendment, and following that the distinguished Senator from Delaware (Mr. ROTH) may call up his amendment.

Mr. ROBERT C. BYRD. Mr. President, reserving the right to object—and I will not object—I have now cleared the time limitation on the Curtis amendment with Mr. MORGAN, and there is no objection.

The PRESIDING OFFICER. Is there objection to the request?

Without objection, it is so ordered.

UP AMENDMENT NO. 1055

Mr. CURTIS. Mr. President, I send to the desk an amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The clerk will report.

The assistant legislative clerk proceeded to read the amendment.

Mr. CURTIS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Strike out section 101 of the Act.

Strike out sections 102 and 103 of the Act and insert in lieu thereof the following:

EMPLOYEES

SEC. 102. Section 230 is amended by adding at the end the following new subsection:

"(d) For calendar years 1979, 1981, 1983, and 1985 the contribution and benefit base shall be equal to the amount determined

under subsection (b) but as augmented for each such year (and carried forward thereafter) by \$600; and the amount of such base for any such year as so increased shall be deemed to be the amount of such base for such year for purposes of determining any increase, under the preceding provisions of this section, in such base for any succeeding year."

EMPLOYMENT TAX INCREASE; INCREASE IN SELF-EMPLOYMENT TAX; REALLOCATION AMONG TRUST FUNDS

SEC. 103. (a) TAX ON EMPLOYEES.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Paragraphs (1) and (2) of section 3101(a) of the Internal Revenue Code of 1954 are amended to read as follows:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages received during the calendar year 1978, the rate shall be 5.05 percent;

"(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 5.385 percent;

"(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 5.65 percent;

"(5) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.95 percent;

"(6) with respect to wages received during the calendar years 1990 through 1994, the rate shall be 6.60 percent;

"(7) with respect to wages received during the calendar years 1995 through 2000, the rate shall be 7.05 percent;

"(8) with respect to wages received during the calendar years 2001 through 2010, the rate shall be 7.45 percent; and

"(9) with respect to wages received after December 31, 2010, the rate shall be 7.95 percent."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3101(b) of the Code are amended to read as follows:

"(2) with respect to wages received during the calendar years 1978 through 1980, the rate shall be 1.00 percent;

"(3) with respect to wages received during the calendar years 1981 and 1982, the rate shall be 1.25 percent;

"(4) with respect to wages received during the calendar years 1983 and 1984, the rate shall be 1.35 percent;

"(5) with respect received during the calendar 1985, the rate shall be 1.45 percent;

"(6) with respect to wages received during the calendar years 1986 through 1989, the rate shall be 1.50 percent; and

"(7) with respect to wages received after December 31, 1990, the rate shall be 1.40 percent."

(b) TAX ON EMPLOYERS.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Paragraphs (1) and (2) of section 3111(a) of the Code are amended to read as follows:

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages paid during the calendar year 1978, the rate shall be 5.05 percent;

"(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 5.385 percent;

"(4) with respect to wages paid during the calendar years 1981 through 1984 the rate shall be 5.65 percent;

"(5) with respect to wages paid during the calendar years 1985 through 1989, the rate shall be 5.95 percent;

"(6) with respect to wages paid during the calendar years 1990 through 1994, the rate shall be 6.60 percent;

"(7) with respect to wages paid during the calendar years 1995 through 2000, the rate shall be 7.05 percent;

"(8) with respect to wages paid during the calendar years 2001 through 2010, the rate shall be 7.45 percent; and

"(9) with respect to wages paid after December 31, 2010, the rate shall be 7.95 percent."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of section 3111(b) of the Code are amended to read as follows:

"(2) with respect to wages paid during the calendar years 1978 through 1980, the rate shall be 1.00 percent;

"(3) with respect to wages paid during the calendar years 1981 and 1982, the rate shall be 1.25 percent;

"(4) with respect to wages paid during the calendar years 1983 and 1984, the rate shall be 1.35 percent;

"(5) with respect to wages paid during the calendar year 1985, the rate shall be 1.45 percent;

"(6) with respect to wages received during the calendar years 1986 through 1989, the rate shall be 1.50 percent; and

"(7) with respect to wages paid after December 31, 1990, the rate shall be 1.40 percent."

(c) TAX ON SELF-EMPLOYMENT INCOME.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Subsection (a) of section 1401 of the Code is amended to read as follows:

"(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1978, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 8.077 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 8.475 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1985, and before January 1, 1990, the tax shall be equal to 8.925 percent of the amount of the self-employment income for such taxable year;

"(6) in the case of any taxable year beginning after December 31, 1989, and before January 1, 1995, the tax shall be equal to 9.90 percent of the amount of the self-employment income for such taxable year;

"(7) in the case of any taxable year beginning after December 31, 1994, and before January 1, 2001, the tax shall be equal to 10.575 percent of the amount of the self-employment income for such taxable year;

"(8) in the case of any taxable year beginning after December 31, 2000, and before January 1, 2011, the tax shall be equal to 11.175 percent of the amount of the self-employment income for such taxable year; and

"(9) in the case of any taxable year beginning after December 31, 2010, the tax shall be equal to 11.925 percent of the amount of the self-employment income for such taxable year."

(2) HOSPITAL INSURANCE.—Paragraphs (2) through (4) of subsection (b) of section 1401 of the Code are amended to read as follows:

"(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 1.00

percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1983, the tax shall be equal to 1.25 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1982, and before January 1, 1985, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1986, the tax shall be equal to 1.45 percent of the amount of the self-employment income for such taxable year;

"(6) in the case of any taxable year beginning after December 31, 1985, and before January 1, 1990, the tax shall be equal to 1.50 percent of the amount of the self-employment income for such taxable year; and

"(7) in the case of any taxable year beginning after December 31, 1989, the tax shall be equal to 1.40 percent of the amount of the self-employment income for such taxable year."

(d) ALLOCATION TO DISABILITY INSURANCE TRUST FUND.—

(1) ALLOCATION OF WAGES.—Section 201(b) (1) of the Social Security Act is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: "(G) 1.550 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.500 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.650 per centum of the wages (as so defined) paid after December 31, 1980, and before January 1, 1985, and so reported, (J) 1.900 per centum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, (K) 2.100 per centum of the wages (as so defined) paid after December 31, 1989, and before January 1, 1995, (L) 2.400 per centum of the amount of the wages (as so defined) paid after December 31, 1994, and before January 1, 2001, (M) 2.700 per centum of the amount of the wages (as so defined) paid after December 31, 2000, and before January 1, 2011, (N) 3.00 per centum of the amount of the wages (as so defined) paid after December 31, 2010, and so reported, which wages shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of wages established and maintained by such Secretary in accordance with such reports; and"

(2) ALLOCATION OF SELF-EMPLOYMENT INCOME.—Section 210(b)(2) is amended by striking out all that follows clause (F) and inserting in lieu thereof the following: "(G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.040 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1981, (I) 1.235 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985, (J) 1.425 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.575 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1989, and before January 1, 2001, (M) 2.025 per centum of the amount of self-employment income

(as so defined) so reported for any taxable year beginning after December 31, 2000, and before January 1, 2011, (N) 2.250 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 2010, which self-employment income shall be certified by the Secretary of Health, Education, and Welfare on the basis of the records of self-employment income established and maintained by the Secretary of Health, Education, and Welfare in accordance with such returns."

The amendments made by this amendment to sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954 shall not be modified as a result of any amendment to the bill agreed to prior to the adoption of this amendment.

Mr. CURTIS. Mr. President, if I may have order I can state what this amendment is. This amendment deals with financing of social security. Yesterday I offered an amendment to take care of the \$6 billion deficit in the fund now, and there will be a larger one next year as well as some long range.

We were defeated on what I regard as a rather close vote. That amendment of yesterday would have increased the tax on employers and employees at one-half of 1 percent on each side.

It is true that when you raise revenue by raising the work base the entire burden falls upon the higher-paid, and with the present level of prices that is a blow to the middle class.

On the other hand, if we raise revenue by raising the rates only, it does affect the people of all brackets.

Mr. President, I have a compromise. I propose to raise half of it by raising the rate and half of it by raising the wage base. So, instead of one-half of 1-percent increase on all, I will make that one-quarter of 1 percent, and then raise the wage base on employees and employers alike \$2,400, but I do that in four steps of \$600 each.

This tax increase of one-quarter of 1 percent and the first step in raising the wage base do not go into effect until 1979. There is a tax increase in 1979 of one-quarter of 1 percent for employer and employee, and there is the first \$600 of wage base increase. Then there will be, the second year thereafter, another \$600, until we raise it by \$2,400. Substantially half of the burden will fall on the upper brackets alone by raising the wage base, and half of it will be across the board on everyone.

I think that is a fair compromise. It does not involve the general fund; it does not involve having a rate base different for employers than for employees.

One more feature, Mr. President: 6 years from now there will have to be a one-tenth of 1 percent increase in order to make up for the transfer of funds at this time. But that is 6 years off, and it is only one-tenth of 1 percent.

Mr. President, how much time have I consumed?

The PRESIDING OFFICER. The Senator has 1 minute remaining.

Mr. CURTIS. I reserve the remainder of my time, and I ask for the yeas and nays on my amendment.

The PRESIDING OFFICER. Is there

a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. NELSON. Mr. President, I move to table the amendment. My motion would not lie until the time expires; is that correct?

The PRESIDING OFFICER. The Senator's motion would not lie until all time on the amendment has expired or been yielded back.

Mr. CURTIS. I am willing to yield it back right now.

Mr. NELSON. Mr. President, the distinguished Senator from Nebraska and I have discussed the principles involved here in some detail in the last couple of days, and I would repeat that this proposal was printed in the CONGRESSIONAL RECORD twice, in short form, in the Wednesday and Thursday Records; and this present amendment is referred to as Curtis plan No. 2.

Yesterday we debated Curtis plan No. 1. That was not adopted, and this is Curtis plan No. 2, as identified in the RECORD.

Let me say, as I did then, that Senator CURTIS, in both of his plans, has designed a proposal which does, in fact, guarantee the integrity of the fund all the way to the year 2050. His plan No. 2 has a balance in the fund of plus 0.40 percent of taxable payroll, so from the standpoint of fiscal integrity, there is not really any question about it being financially sound.

The Finance Committee, at the same time, reported a proposal to the Senate floor which also provides the financing for all of the provisions in the current law and in the pending legislation through the year 2050, just as does Senator CURTIS' amendment. The Senate Finance Committee bill leaves a balance in the fund of plus 0.06 of taxable payroll in the year 2050.

There is a basic difference, however. I cannot get into it in great detail because of time constraints and because we have covered it before. However, the levy of taxes under Curtis plan 2 on the worker earning the average wage is greater at each step than under the Finance Committee plan. In 1979, the Finance Committee would increase the tax over the present law by \$10 for the worker earning the average wage, and Senator CURTIS' plan would increase it by \$39, and, down into the year 1987, the Finance Committee plan would increase the liability by \$112 on the individual earning the average wage, while Senator CURTIS' plan would increase it by \$177. The figures are roughly similar in terms of those earning the maximum amount taxed.

The PRESIDING OFFICER. The Senator's 5 minutes have expired.

Mr. CURTIS. Mr. President, I thank my distinguished friend for his fair statement. He has very graciously stated the facts very forthrightly just as they are.

The adoption of my amendment will restore the fund. It will set at rest the uneasiness. It will get the additional money that we need. It will maintain the traditional pattern that everybody pays, half by employers and half by employees,

with no gimmicks, no dodging of the issue, meeting it forthrightly for the benefit of all the people of the land.

I yield back the remainder of my time. The PRESIDING OFFICER. All remaining time is yielded back.

Mr. NELSON. Mr. President, I move that the amendment be laid on the table.

Mr. CURTIS. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion to lay on the table the amendment of the Senator from Nebraska (Mr. CURTIS). The yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Texas (Mr. BENTSEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Maine (Mr. HATHAWAY), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from Georgia (Mr. NUNN), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

Mr. STEVENS. I announce that the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from California (Mr. HAYAKAWA), the Senator from Kansas (Mr. PEARSON), the Senator from New Mexico (Mr. SCHMITT), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

The yeas and nays resulted—yeas 41, nays 41, as follows:

(Rollcall Vote No. 623 Leg.)

YEAS—41

Anderson	Gravel	Metzenbaum
Bayh	Hart	Moynihan
Biden	Haskell	Nelson
Bumpers	Humphrey	Pell
Burdick	Jackson	Proxmire
Byrd, Robert C.	Kennedy	Randolph
Case	Leahy	Ribicoff
Church	Long	Riegle
Clark	Magnuson	Sarbanes
Cranston	Matsunaga	Sparkman
Culver	McGovern	Stafford
Durkin	McIntyre	Stevenson
Eagleton	Meicher	Williams
Ford	Metcalfe	

NAYS—41

Allen	Garn	Morgan
Baker	Glenn	Packwood
Bartlett	Griffin	Percy
Bellmon	Hansen	Roth
Brooke	Hatfield	Schweiker
Byrd	Heinz	Stennis
	Helms	Stevens
	Hollings	Stone
Chafee	Inouye	Talmadge
Chiles	Javits	Thurmond
Curtis	Laxalt	Tower
Danforth	Lugar	Wallace
Dole	Mathias	Young
Domenici	McClure	Zorinsky
Eastland		

NOT VOTING—18

Abourezk	Hathaway	Nunn
Bentsen	Hayakawa	Pearson
Cannon	Huddleston	Sasser
DeConcini	Johnston	Schmitt
Goldwater	McClellan	Scott
Hatch	Muskie	Weicker

Mr. CURTIS. Regular order, Mr. President.

The VICE PRESIDENT. On this vote there are 41 yeas, 41 nays.

The VICE PRESIDENT votes "aye." The motion to lay on the table is agreed to. Mr. NELSON. I move to reconsider the vote by which the motion to lay on the table was agreed to.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1056

(Purpose—To liberalize the conditions governing eligibility of blind persons to receive disability benefits.)

The VICE PRESIDENT. Under the previous order, the Senator from Indiana is recognized.

Mr. BAYH. Mr. President, I send to the desk an unprinted amendment in behalf of the distinguished junior Senator from Arizona (Mr. DECONCINI), myself, Senator BROOKE, Senator DURKIN, Senator EASTLAND, Senator GOLDWATER, Senator HUMPHREY, Senator MCGOVERN, Senator RANDOLPH, Senator RIEGLE, Senator SPARKMAN, Senator THURMOND, Senator TOWER, and Senator WEICKER.

The PRESIDING OFFICER (Mr. SARBANES). The clerk will state the amendment.

The second assistant legislative clerk read as follows:

The Senator from Indiana (Mr. BAYH), for the Senator from Arizona (Mr. DECONCINI), himself, and others, proposes unprinted amendment numbered 1056.

Mr. BAYH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place insert the following:

DISABILITY BENEFITS FOR BLIND PERSONS

SEC. 130. (a) Section 214 (a) of the Social Security Act is amended by adding "or" after the semicolon at the end of paragraph (3), and by inserting after paragraph (3) the following new paragraph:

"(4) in the case of an individual who has died and who was entitled to a benefit under section 223 for the month before the month in which he died, 6 quarters of coverage."

(b) (1) Section 215(b) (1) of such Act is amended by striking out "shall be the quotient" and inserting in lieu thereof "shall (except as provided in paragraph (5)) be the quotient".

(2) Section 215(b) of such Act is further amended by adding at the end thereof the following new paragraph:

"(5) In the case of an individual who is blind (within the meaning of 'blindness' as defined in section 216(i) (1)), such individual's average monthly wage shall be the quotient obtained by dividing (A) the total of his wages paid in, and self-employment income credited to, all the calendar quarters which are quarters of coverage (as defined in section 213) and which fall within the period after 1950 and prior to the year specified in clause (i) or clause (ii) of para-

graph (2) (C), by (B) the number of months in such quarters; except that any such individual who is fully insured (without regard to section 214(a)(4)) shall have his average monthly wage computed under this subsection without regard to this paragraph if such computation results in a larger primary insurance amount."

(3) The amendments made by this subsection shall apply with respect to monthly benefits and lump-sum death benefits payable under title II of the Social Security Act for months after September 1977.

(c) (1) Section 215(b)(1) of such Act (as amended by section 104(b) of this Act) is further amended by striking out "is equal to the quotient" and inserting in lieu thereof "is equal to (except as provided in paragraph (5)) the quotient".

(2) Section 215(b) of such Act (as amended by section 104(b) of this Act) is further amended by adding at the end thereof the following new paragraph:

"(5) In the case of an individual who is blind (within the meaning of 'blindness' as defined in section 216(1)(1)), such individual's average indexed monthly earnings is equal to the quotient obtained by dividing (A) the total (after adjustment under paragraph (3)) of his wages paid in, and self-employment income credited to, all of the calendar quarters which are quarters of coverage (as defined in section 213) and which fall within the period after 1950 and prior to the year specified in subclause (I) or subclause (II) of paragraph (2) (B) (ii), by (B) the number of months in such quarters; except that any such individual who is fully insured (without regard to section 214(a)(4)) shall have his average indexed monthly earnings computed under this subsection without regard to this paragraph if such computation results in a larger primary insurance amount."

(3) The amendments made by this subsection shall apply with respect to monthly benefits and lump-sum death benefits under title II of the Social Security Act payable for months after December, 1978.

(d) Section 216(1)(3) of such Act is amended to read as follows:

"(3) The requirements referred to in clauses (i) and (ii) of paragraph (2) (C) are satisfied by an individual with respect to any quarter only if—

"(A) he would have been a fully insured individual (as defined in section 214) had he attained age 62 and filed application for benefits under section 202(a) on the first day of such quarter, and (i) he had not less than 20 quarters of coverage during the 40-quarter period which ends with such quarter, or (ii) if such quarter ends before he attains (or would attain) age 31, not less than one-half (and not less than 6) of the quarters during the period ending with such quarter and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter were quarters of coverage; or

"(B) he is blind (within the meaning of 'blindness' as defined in paragraph (1) of this subsection) and has not less than 6 quarters of coverage in the period which ends with such quarter.

For the purposes of clauses (i) and (ii) of subparagraph (A) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a prior period of disability unless such quarter was a quarter of coverage."

(e) The first sentence of section 222(b)(1) of such Act is amended by inserting "(other than such an individual whose disability is blindness as defined in section 216(1)(1))" after "an individual entitled to disability insurance benefits".

(f) Section 223(a)(1) of such Act is amended—

(1) by striking out the comma at the end of subparagraph (B) and inserting in lieu thereof "or is blind (within the meaning of 'blindness' as defined in section 216(1)(1))";

(2) by striking out "the month in which he attains age 65" and inserting in lieu thereof "in the case of any individual other than an individual whose disability is blindness (as defined in section 216(1)(1)), the month in which he attains age 66"; and

(3) by striking out the second sentence.

(g) Section 223(c)(1) of such Act is amended to read as follows:

"(1) An individual shall be insured for disability insurance benefits in any month if—

"(A) he would have been a fully insured individual (as defined in section 214) had he attained age 62 and filed application for benefits under section 202(a) on the first day of such month, and (i) he had not less than 20 quarters of coverage during the 40-quarter period which ends with the quarter in which such month occurred, or (ii) if such month ends before the quarter in which he attains (or would attain) age 31, not less than one-half (and not less than 6) of the quarters during the period ending with the quarter in which such month occurred and beginning after he attained the age of 21 were quarters of coverage, or (if the number of quarters in such period is less than 12) not less than 6 of the quarters in the 12-quarter period ending with such quarter were quarters of coverage; or

"(B) he is blind (within the meaning of 'blindness' as defined in section 216(1)(1)) and has not less than 6 quarters of coverage in the period which ends with the quarter in which such month occurs.

For purposes of clauses (i) and (ii) of subparagraph (A) of this paragraph, when the number of quarters in any period is an odd number, such number shall be reduced by one, and a quarter shall not be counted as part of any period if any part of such quarter was included in a period of disability unless such quarter was a quarter of coverage."

(h) Section 223(d)(1)(B) of such Act is amended to read as follows:

"(B) blindness (as defined in section 216(1)(1))."

(i) The second sentence of section 223(d)(4) of such Act is amended by inserting "(other than an individual whose disability is blindness, as defined in section 216(1)(1))" immediately after "individual".

(j) In the case of an insured individual who is under a disability as defined in section 223(d)(1)(B) of the Social Security Act, who is entitled to monthly insurance benefits under section 202(a) or 223 of such Act for a month after September, 1977, and who applies for a recomputation of his disability insurance benefit or for a disability insurance benefit (if he is entitled under such section 202(a)) after September, 1977, the Secretary shall, notwithstanding the provisions of section 215(f)(1) of such Act, make a recomputation of such benefit if such recomputation results in a higher primary insurance amount.

(k) Except as otherwise provided in this section, the amendments made by this section shall apply with respect to monthly benefits and lump-sum death benefits payable under title II of the Social Security Act for months after September, 1977.

Mr. BAYH. Mr. President, the amendment which I bring up because of an important unexpected occurrence that caused our distinguished colleague from Arizona to be unavoidably absent, is an amendment which is identical to S. 753, which amends title II of the Social Security Act, and was introduced by Sena-

tor HUMPHREY, myself, and several other Senators in February of this year.

The purpose of the amendment is to standardize the work requirement and remove the "earning limitation" for blind persons to qualify for disability benefits.

While the principal sponsors of this legislation requested consideration of this bill in the context of the recent Finance Committee hearings, its provisions are not included in the bill as reported.

However, I believe that this amendment, which is designed to assist our blind citizens, is extremely important and I hope we shall have an opportunity to consider it here today.

Let me review, briefly, the arguments in favor of this amendment. While the primary purpose of the pending legislation is to strengthen the financing of the social security system, it is both proper and desirable to make needed improvements in the ability of that system to fulfill its purpose of providing minimum financial security to the aged and disabled. In fact, the House-passed bill contains a dramatic commitment to reduce and eventually repeal the earnings test for individuals over 65, because there is a growing conviction that everybody should have the right to better their economic status.

Mr. President, the Senator from Indiana does not need take a great deal of time to convince our colleagues of the particularly difficult situation in which blind citizens find themselves.

Social security disability insurance was designed to partially replace income loss due to a disability. Congress has previously recognized blindness as a distinct and unique condition. Certain economic consequences predictably follow the disability of blindness. It is compatible with the social security insurance concept to protect the blind from these adverse effects. If persons with a high earning capacity can return to work at all after becoming blind, they do so, almost without exception, at a much lower salary, and continue to suffer an adverse impact on their earning power. Moreover, working in a society adapted to vision entails extra costs for supportive services and special devices.

The blind, as a group, suffer largely artificial impediments when they seek to enter and compete in the labor market. The economic penalties exacted by discrimination are evident in a dramatic 70 percent rate of unemployment and underemployment. Any group with such a high rate merits being singled out for compensatory help, for particular assistance to meet their problems.

Much of today's discussion revolves around costs and benefits. I believe this amendment can be defended as cost-effective. HEW actuaries have estimated an annual increase in cost somewhere between \$400 and \$500 million a year. This is not an insignificant figure. The National Federation of the Blind, in its recent testimony before the House Ways and Means Committee, disputed these cost figures which appeared to be predicated on an additional 150,000 to 200,000 beneficiaries receiving an average of \$2,500 annually. A figure of 50,000 newly

eligible persons has been suggested as more realistic.

No adequate consideration has been given by the administration to the offsetting savings that would result from the transfer of blind beneficiaries now served by SSI, food stamp, and other welfare programs; nor the savings that would result from removing the strong work disincentives.

Presently, an earnings level of about \$200 is considered proof of the ability to engage in substantial gainful activity. A blind person willing to take an entry-level job for retraining purposes, or to accept sporadic employment, cannot afford to risk losing the basic security provided by disability benefits, as well as continued eligibility for medicare coverage. Therefore, the incentive to work is not present for most blind people.

I think it is rather obvious, to the blind as well as to many other categories of citizens throughout our country, the incentive to work is just not present.

Indeed, the strongest argument for this proposal before the Senate is the need to remove disincentives to gainful activity, and to encourage every person to seek work, to contribute, and to become independent.

The Department of Health, Education, and Welfare has also estimated that production lost through blindness currently costs the economy \$1 billion a year. The blind who become productive members of society lessen that loss.

Further, to gain eligibility for disability insurance benefits, a blind person must have worked long enough under social security-covered employment to be fully insured. To do so, two requirements must be met. First a blind person must have accumulated a number of quarters of coverage which is equal to 1 out of every 4 quarters elapsing between 1950 and the time of blindness, or age 21 and the time of blindness, whichever is later. In other words, he must have worked in a covered occupation at least 25 percent of the time between either 1950 or his 21st birthday and the time of blindness, whichever is later. Second, he must have accumulated a minimum of 6 quarters of covered employment. Thus, under existing law there is substantial variation in the criteria a blind person must meet to be eligible for disability benefits. Currently, the number of quarters necessary to qualify for disability benefits ranges from 6 to 26. People who become blind on the same date and, indeed, in the same accident may, under present law, be subject to significantly different eligibility requirements.

For example, a person who attained his or her 21st birthday in 1960 and became blind in 1975 would be required to earn 15 quarters. A person who was 21 prior to 1950 and became blind in 1975 would be required to earn 24 quarters.

The purpose of this amendment is twofold. It would remove the earnings limitation for blind persons—thereby creating a work incentive; and, it would standardize the numbers of quarters necessary to qualify for disability benefits at six.

Mr. President, this amendment has been considered and passed by the Senate

several times in the past. During the 94th Congress, Senator Hartke, with over 35 cosponsors, introduced it as S. 1183. Arguments both pro and con have been presented each time this proposal has come before the Senate.

However, it seems to me that the Senate position still remains the right position and, hopefully, the Senate will once again reaffirm its belief that the blind people of this country need the kind of assistance which would be provided in this amendment.

However, the debate deserves a fresh look. Arguments on cost finally boil down to a value judgment on relative priorities. It is no secret that priorities shift from Congress to Congress. Regrettably, progress for all groups is never achieved simultaneously. But social and economic inequities can be corrected step by step; the time has come for this particular step.

Mr. HUMPHREY. Will the Senator yield?

Mr. BAYH. I am glad to yield to the distinguished Senator from Minnesota who has been the leader in this field. I appreciate the opportunity to associate myself with him today as I have in the past.

Mr. HUMPHREY. I appreciate the Senator yielding.

I just wanted to thank the Senator for his initiative here today in bringing this worthy amendment to the attention of the Senate.

Blind people deserve this and the fund can handle this amendment.

I hope the Senate will once again, as the Senator has indicated we have passed this before, agree to its adoption.

It is not in any way going to wreak any serious damage upon the fiscal soundness or the strength of the social security fund. The Senator's amendment deserves our support.

Mr. President, I rise in support of the amendment being presented today by Senator BAYH and Senator DUNCAN. This amendment is essentially identical to legislation the Senate has passed on a number of previous occasions, and to a bill I introduced together with Senator BAYH.

The purpose of this amendment is clear and simple. A readily identifiable category of handicapped Americans are being sidelined from productive participation in our economy through an unintentional bias against work, which has been built into the disability insurance system. The amendment would correct this work disincentive.

I want to address very briefly the arguments raised in the past against this proposal. It has been said that costs are unknown. That is probably less true of this amendment than of some other incentive programs we have recently adopted with no certain knowledge of how many persons or businesses will respond.

Perhaps we would have more firm cost estimates if the issue ever had received the attention and study it manifestly deserves. I do not believe we can dismiss the situation of a group of Americans who suffer an unemployment and underem-

ployment rate of 70 percent, knowing that this unemployment is related more directly to social attitudes and discrimination than to incapacity.

The cost of earnings lost through blindness has been estimated by the Department of Health, Education, and Welfare at \$1 billion annually. The cost of this amendment has been estimated by the same Department at \$500 million. However, to the best of my knowledge, there has been no effort to offset this estimate with the savings that would result as working blind persons transfer from public assistance to the disability program, begin paying social security and income taxes, and contribute their productivity to our economy.

I wonder if we are talking incorrectly of preferential treatment, when we should be speaking in support of reasonable exceptions to redress handicaps and disadvantages imposed by social and economic barriers that have barred the blind, far more than their disability, from earning a decent and secure livelihood?

The law as it stands encourages the blind individual to be dependent, to lose faith in himself or herself, to abandon the arduous efforts, apprenticeship, and risk required to train for, or resume, a job, or profession.

Too frequently, blind workers are hired last, let go first, and paid least. If they take a temporary job, when it disappears, they find themselves permanently deprived of disability benefits. If they take a low-paying job, in the hope of eventual advancement, they find themselves without disability benefits, and with added expenses for the extra services and equipment needed to function in a sighted society.

Indeed, whatever their earnings, and I think the record will not show a great many who achieve wealth through their labor, they continue to suffer a reduction in their earning capacity, through reduced opportunity and through the added expenses that working incurs. It is reasonable that some disability insurance payment be continued to compensate for a continuing salary loss.

Budget considerations are basic, but they cannot be the sole determinant of policy. They have to be tempered by a sense of priority, a recognition of social obligations, and a true accounting of the cost of undeveloped human potential.

I will not repeat arguments ably made by my colleagues who have presented this legislation, and who share my views. I will just say that I consider this particular amendment an investment and an incentive that would sustain and strengthen blind Americans in their determination to join the ranks of working America. That is my objective in supporting this legislation.

I think it is just, I think it is timely. I do not think it will bankrupt our Nation.

Mr. DURKIN. Will the Senator yield?

Mr. BAYH. I am glad to yield to the Senator from New Hampshire.

Mr. DURKIN. I thank the Senator.

I am very pleased to join with the Senator from Indiana, the Senator from

Arizona, the distinguished Senator from Minnesota, in cosponsoring this amendment.

As the Senator from Indiana says, it is identical to the bill we cosponsored and introduced earlier this year.

This amendment which I have cosponsored will help blind people in two ways. It would permit blind people who have worked a year and a half to qualify for disability benefits, and it allows blind people who are working now to continue receiving social security benefits regardless of their earnings.

We should encourage and support the efforts of the blind who want to be self-supporting and productive. Under the present system blind people risk losing the security of insurance benefits if they want to work. It just does not make sense to hold back people who want to overcome their handicap and make their own way in the world.

Many blind people in New Hampshire feel its good medicine to be employed. But they face more than the usual obstacles when job hunting, and often encounter discrimination, because of their handicap.

If the blind do overcome discrimination they still face higher costs for special services and transportation. Rarely will a blind person's income approach what it would be without his handicap.

Mr. President, too often social security regulations discourage ambitious people from being self-supporting. The whole point of this amendment, is to encourage the determination felt by many blind people to work and be productive members of society. If the blind were free to earn a living for themselves they would be paying income and social security taxes. Most of the costs incurred by increasing eligibility for social security disability insurance and raising the earnings limitation will be offset as recipients of those benefits will no longer need supplemental security and other public assistance programs.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Indiana.

The amendment was agreed to.

Mr. DURKIN. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. FORD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UNANIMOUS-CONSENT AGREEMENT

Mr. ROBERT C. BYRD. Mr. President, the continuing resolution continues to be a nettlesome problem. The Senator from Washington, the chairman of the Appropriations Committee, is prepared to make a motion at this time. I think Senator Brooke is in accord with that motion. I wonder whether we can have an understanding that it would not prejudice the right of the Senator from Delaware to the floor if we could proceed with the continuing resolution, while the House is still in session. I think it is urgent that we do that as quickly as possible,

if we can have the Senator's indulgence.

Mr. President, I ask unanimous consent that I may suggest the absence of a quorum, pending the arrival on the floor of Mr. YOUNG; that Mr. MAGNUSON then be recognized to call up the continuing resolution; and that when that is disposed of, Mr. ROTH again be recognized.

The PRESIDING OFFICER. It is the understanding of the Chair that the time for the quorum call will not be taken out of anyone's time.

Mr. ROBERT C. BYRD. Yes.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request? The Chair hears none, and it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, I suggest the absence of a quorum.

The PRESIDING OFFICER. The clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the order for the quorum call be rescinded.

The PRESIDING OFFICER. Without objection, it is so ordered.

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

The Senate continued with the consideration of H.R. 9346.

Mr. ROBERT C. BYRD. Mr. President, with the understanding of Mr. ROTH and while the Senate is awaiting the arrival of Mr. YOUNG, who is on his way, I ask unanimous consent that Mr. WALLOP may be recognized to call up an amendment and have not to exceed 2 minutes which I understand the committee will accept, and this be all without prejudice to the order that was entered.

The PRESIDING OFFICER. Without objection, it is so ordered.

The Senator from Wyoming is recognized.

UP AMENDMENT NO. 1058

(Purpose: To eliminate the reduction in disability benefits on account of receipt of workmen's compensation.

Mr. WALLOP. Mr. President, I send to the desk an unprinted amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Wyoming (Mr. WALLOP) for himself and Mr. CRANSTON, Mr. HUMPHREY, Mr. STEVENS, Mr. THURMOND, and Mr. YOUNG, proposes unprinted amendment numbered 1058.

Mr. WALLOP. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place insert the following:

Sec. 130. (a) Section 224 of the Social Security Act is repealed.

(b) The amendment made by this section shall be effective with respect to monthly benefits payable under title II of the Social Security Act for months beginning after the date of enactment of this Act.

Mr. WALLOP. Mr. President, I present this amendment to the social security financing bill on behalf of myself, Senator HUMPHREY, Senator THURMOND, Senator YOUNG, Senator CRANSTON, and Senator STEVENS. This amendment would repeal section 224 of the Social Security Act, the section that deals with the workmen's compensation provision.

Mr. President, the purpose of this amendment is quite simple. It would end the required monthly reduction in social security benefits when a disabled worker is also receiving workmen's compensation. This reduction of social security benefits due to workmen's compensation has been in effect since the 1965 social security amendments. Under present law, when a worker qualifies for both workmen's compensation and social security disability benefits, the monthly social security benefits must be reduced because the disabled worker is also receiving workmen's compensation. Where this offset provision is applicable, the social security benefits payable to the worker and his family are reduced by the amount that the total monthly benefits payable under the two programs exceed 80 percent of the worker's earnings prior to becoming disabled.

The Senator from Wyoming and the cosponsors of this amendment feel that the workmen's compensation offset provision is unfair and inconsistent. Disabled workers and their families under workmen's compensation are the only category of social security beneficiaries whose benefits are reduced because of the receipt of nonwork income. The great inequity is that the Social Security Act does not require a similar reduction in disability benefits from other Federal or private programs. A worker could become disabled and receive payments from civil service retirement annuity and Veterans' Administration disability payments, yet he would not have his social security benefits reduced as they are under the workmen's compensation offset provision.

The disabled workers who receive lump sum or monthly payments under private disability insurance policies or receive damages in private tort actions do not have their social security benefits reduced. Only those workers who through no choice of their own depend on workmen's compensation are singled out and have their social security payments reduced. The Senate surely recognizes the unfairness of a provision that requires a reduction in social security benefits because the worker is receiving compensation due to injury.

In my State and in every other State employers contribute to workmen's compensation funds. They do so to provide a fair protection to cover injured workmen. In most cases the covered workman has no right to civil damages. Awards on a contract agreement, if you will, and exchange the right to recover additional damages in court. The workmen's compensation fund exists solely for the benefit of injured and disabled working men and women and not to create actuarial soundness in the social security trust fund. Their employer's pay-

ments are no different from the payments of employers under private contract. Their injuries are no less painful. Their needs are no less real. Yet they are singled out amongst all Americans for special treatment. A treatment which is patently unfair; an injustice which Congress alone has the power to right.

This punitive and discriminatory treatment of one category of disabled workers is shamefully unfair and must not continue.

I wish to point out Mr. President that the number of workers affected by the offset provision represents only about 3 percent of the total number of people who receive benefits payable on the basis of disability. As of January 1977, 57,911 disabled workers and their dependents were affected by the month-to-month offset provision.

The questions of equity and fairness are central to the argument in support of this amendment, but there are administrative reasons why the offset provision should be repealed. The provision generally requires a disproportionate application of administrative resources. As the Senator from Wyoming indicated previously, only 3 percent of the workers receiving disability benefits are affected by the offset provision. However, much more time than would seem to be warranted by this small number of beneficiaries is spent in processing cases which involve the offset provision.

Elimination of the workmen's compensation offset would simplify the social security program. Processing these claims now requires reference to State workmen's compensation laws which, of course, vary widely. Often, social security field offices must contact employers, workmen's compensation agencies, insurance companies, attorneys, and claimants before workmen's compensation offset determinations can be made. A large amount of correspondence, protracted interview time, and program center review contribute to the high cost of handling each case. Also, each case must be handled manually, both initially and when workmen's compensation benefits are increased and when offset redeterminations are made every 3 years. Obtaining the necessary offset information often results in long delays in getting social security disability benefits to entitled individuals and their families.

If the workmen's compensation offset were eliminated, effective with October 1, 1977, 500 man-years would be eliminated over the next 5-year period ending with fiscal year 1982. In addition, \$7.8 million in administrative savings would be realized over the same 5-year period.

I wish to close by saying that the most important consideration here is one of equity. There is no reason for the distinction between workmen's compensation and other disability payments programs. Section 224 arbitrarily singles out those who receive workmen's compensation for the reduction and offset treatment. I urge my colleagues to support this amendment and end this discriminatory treatment of disabled workers.

Mr. President, I shall briefly explain to the chairman what this does. It tries to correct an injustice in the American social security system whereby a workman who receives a lump sum payment under workman's compensation has that payment deducted from his social security disability payments. This leaves the disabled worker without the full benefit of his social security disability payments.

It is my understanding that the committee will accept this amendment and consider its financial impact in conference. Should it not meet the terms of the House bill and the amendment is not agreed upon in conference, the Finance Committee has agreed to hold hearings on the problems created by Section 224 of the Social Security Code and recommend legislation that would be implemented at a subsequent date.

Mr. LONG. Mr. President, my understanding is that the Senator from Wisconsin (Mr. NELSON) studied the amendment and he agreed that he would take the amendment to conference, and as far as I am concerned, I would be willing to join with the Senator in seeing that it is considered in conference.

Mr. WALLOP. I thank the Senator very much.

I checked with Senator CURTIS, and he, under the same set of circumstances, agreed to it.

Mr. STEVENS. Mr. President, I have cosponsored this amendment in order to correct the inequities found in the present social security disability payments system.

Currently a disabled person who receives workmen's compensation payments may not be entitled to his full social security benefits. At the same time, however, should he be receiving disability payments from another source such as civil service retirement annuity, Veterans' Administration disability benefits, or coverage under other private sources, he would be entitled to his full social security benefits. There is no sound reason for this discriminatory practice.

The present law places a financial penalty on disabled wage earners at a time when they are least able to afford it. We must remember that these disabled workers have contributed their share into the social security system.

To deny them their full compensation is contrary to the spirit of the disability program and impose a hardship on those Americans that have become disabled.

I urge my colleagues to act favorably on this amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wyoming.

The amendment was agreed to.

**SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977**

The Senate continued with the consideration of H.R. 9346.

The PRESIDING OFFICER. Under the unanimous-consent order, the Chair now recognizes the Senator from Delaware for the purpose of offering an amendment.

UP AMENDMENT NO. 1057

Purpose: To provide tax credits to help offset college tuition costs.

Mr. ROTH. Mr. President, I send to the desk an unprinted amendment.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Delaware (Mr. ROTH), for himself and Mr. JOHNSTON, Mr. BIDEN, Mr. HELMS, and Mr. RANDOLPH, proposes an unprinted amendment numbered 1057.

Mr. ROTH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill add the following new section:

"SEC. —. COLLEGE TUITION TAX RELIEF.

Section 1. In general (a) subpart A of part IV of subchapter A of chapter 1, of the Internal Revenue Code (relating to credits allowable) is amended by inserting before section 46 the following new section:

"SEC. 44D. EXPENSES OF HIGHER EDUCATION.

"(a) GENERAL RULE.—There shall be allowed to an individual, as a credit against the tax imposed by this chapter for the taxable year, an amount, determined under subsection (b), of the educational expenses paid by him during the taxable year to one or more eligible educational institutions for himself, his spouse, or any of his dependents (as defined in section 152).

"(b) LIMITATIONS.—

"(1) AMOUNT PER INDIVIDUAL.—The credit under subsection (a) for educational expenses of any individual shall be an amount

equal to so much of such expenses paid in taxable years beginning after December 31, 1977, as does not exceed \$250.

"(2) **PROBATION OF CREDIT WHERE MORE THAN ONE TAXPAYER PAYS EXPENSES.**—If educational expenses of an individual are paid by more than one taxpayer during the taxable year, the credit allowable to each such taxpayer under subsection (a) shall be the same portion of the credit determined under paragraph (1) which the amount of educational expenses of such individual paid by the taxpayer during the taxable year is of the total amount of educational expenses of such individual paid by all taxpayers during the taxable year.

"(c) **DEFINITIONS.**—For purposes of this section—

"(1) **EDUCATIONAL EXPENSES.**—The term 'educational expenses' means—

"(A) tuition and fees required for the enrollment or attendance of a student at an eligible educational institution, and

"(B) fees, books, supplies, and equipment required for courses of instruction at an eligible educational institution.

Such term does not include any amount paid, directly or indirectly, for meals, lodging, or similar personal, living, or family expenses. In the event an amount paid for tuition or fees includes an amount for meals, lodging, or similar expenses which is not separately stated, the portion of such amount which is attributable to meals, lodging, or similar expenses shall be determined under regulations prescribed by the Secretary.

"(2) **ELIGIBLE EDUCATIONAL INSTITUTION.**—The term 'eligible educational institution' means—

"(A) an institution of higher education; or

"(B) a vocational school.

"(3) **INSTITUTION OF HIGHER EDUCATION.**—The term 'institution of higher education' means the institutions described in section 1202(a) or 491(b) of the Higher Education Act of 1965.

"(4) **VOCATIONAL SCHOOL.**—The term 'vocational school' means an area vocational education school as defined in section 108(2) of the Vocational Education Act of 1963.

"(d) **SPECIAL RULES.**—

"(1) **ADJUSTMENT FOR CERTAIN SCHOLARSHIPS AND VETERANS BENEFITS.**—The amounts otherwise taken into account under subsection (a) as educational expenses of any individual during any period shall be reduced (before the application of subsection (b)) by any amounts received by such individual during such period as—

"(A) a scholarship or fellowship grant (within the meaning of section 117(a)(1)) which under section 117 is not includible in gross income, and,

"(B) an educational assistance allowance under chapter 35 of title 38 of the United States Code or education and training allowance under chapter 33 of title 38 of the United States Code.

"(2) **GRADUATE, NONCREDIT, AND RECREATIONAL, ETC., COURSES.**—Amounts paid for educational expenses of any individual shall be taken into account under subsection (a) only to the extent such expenses are attributable to courses of instruction for which credit is allowed toward a baccalaureate degree by an institution of higher education or toward a certificate of required course work at a vocational school and are not attributable to any graduate program of such individual.

"(3) **APPLICATION WITH OTHER CREDITS.**—The credit allowed by subsection (a) to the taxpayer shall not exceed the amount of the tax imposed on the taxable year by this chapter, reduced by the sum of the credits allowable under this subpart (other than under this section, section 31, and section 39).

"(4) **FULL-TIME STUDENT.**—No credit shall be allowed under subsection (a) for amounts

paid during the taxable year for educational expenses with respect to any individual unless that individual, during any four calendar months during the calendar year in which the taxable year of the taxpayer begins, is a full-time student above the secondary level at an eligible educational institution.

"(5) **SPOUSE.**—No credit shall be allowed under subsection (a) for amounts paid during the taxable year for educational expenses for the spouse of the taxpayer unless—

"(A) the taxpayer is entitled to an exemption for his spouse under section 151(b) for the taxable year, or

"(B) the taxpayer files a joint return with his spouse under section 6013 for the taxable year.

"(e) **DISALLOWANCE OF EXPENSES AS DEDUCTION.**—No deduction shall be allowed under section 162 (relating to trade or business expenses) for any educational expense which (after the application of subsection (b)) is taken into account in determining the amount of any credit allowed under subsection (a). The preceding sentence shall not apply to the educational expenses of any taxpayer who, under regulations prescribed by the Secretary, elects not to apply the provisions of this section with respect to such expenses for the taxable year.

"(f) **REGULATIONS.**—The Secretary shall prescribe such regulations as may be necessary to carry out the provisions of this section."

(b) **CONFORMING AMENDMENT.**—

(1) The table of sections for such subpart A is amended by inserting immediately before the item relating to section 45 the following:

"Sec. 44D. Expenses of higher education."

(2) Section 55(c)(2)(B) (relating to imposition of minimum tax) is amended by striking out "and" at the end of clause (ix), by striking out the period at the end of clause (x) and inserting in lieu thereof a comma and the word "and", and by adding at the end thereof the following new clause:

"(xi) section 44D (relating to credit for expenses for higher education)."

(c) **EFFECTIVE DATE.**—The amendments made by this section shall apply to educational expenses paid after December 31, 1977, in taxable years beginning after December 31, 1977.

Mr. DANFORTH. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. ROTH. I yield.

Mr. DANFORTH. Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. DANFORTH. What is the list of amendments on the present unanimous-consent agreement?

The PRESIDING OFFICER. Following the amendment of the Senator from Delaware, under the unanimous-consent order, the Chair will recognize the Senator from Idaho (Mr. CHURCH), and following that, the Senator from Alabama (Mr. ALLEN).

Mr. DANFORTH. Mr. President, I ask unanimous consent that after the disposition of the amendment to be offered by the distinguished Senator from Alabama (Mr. ALLEN), I be recognized to call up an amendment.

The PRESIDING OFFICER. Is there objection?

Mr. DURKIN. Mr. President, reserving the right to object, can we get a time agreement on it?

Mr. DANFORTH. So far as I am concerned, we can.

Mr. LONG. Mr. President, I ask unanimous consent that we have 10 minutes, equally divided.

Mr. DANFORTH. That is fine with me.

The PRESIDING OFFICER. Is there objection to the unanimous-consent request?

Mr. CRANSTON. Mr. President, I reserve the right to object, for one moment.

Mr. ALLEN. Mr. President, what is the request?

The PRESIDING OFFICER. The Senator from Missouri has made the unanimous-consent request that following recognition of the Senator from Alabama under the previous unanimous-consent order, he be recognized to offer an amendment, the time for debate on the amendment to be limited to 10 minutes, equally divided between the Senator from Missouri and the manager of the bill.

Is there objection to the unanimous-consent request?

Mr. CRANSTON. Mr. President, reserving the right to object, I have to object on behalf of Senator MORGAN, momentarily, until he can be consulted.

The PRESIDING OFFICER. Objection is heard.

The Senator from Delaware.

Mr. ROTH. Mr. President, my amendment provides tax credits for education expenses paid by an individual for himself, his spouse, and his dependents. To be eligible for the credit, an individual must be a full-time student at an institution of higher education or at a higher vocational school. The amount of the tax credit is to be \$250.

To avoid any dispute with the Budget Committee, I am not proposing at this time the incremental increase to \$500 as proposed in S. 311, my college tax relief bill.

I point out that a provision has been made for this college tax credit in the second budget resolution. Last year, the Senate twice overwhelmingly endorsed my college tax credit legislation by votes of 68 to 20 and 62 to 21. The measure was also approved by the Senate Finance Committee.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield?

Mr. ROTH. I yield.

Mr. ROBERT C. BYRD. What was the request as to time on the Senator's amendment?

Mr. LONG. On this amendment, there has been no request. I suggest that we get a time to vote on this amendment.

How much time does the Senator require to explain his position. What limitation can we agree to?

Mr. ROTH. Twenty minutes, to be divided equally.

Mr. BELLMON. Mr. President, reserving the right to object, I should like to have at least 10 minutes on this amendment.

Mr. LONG. I ask unanimous consent that there be 30 minutes, to be equally divided, and that 10 minutes of the time in opposition be allotted to the Senator from Oklahoma (Mr. BELLMON).

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CRANSTON. Mr. President, I reserve the right to object, on behalf of Senator KENNEDY. He has some amend-

ments to the Roth amendment and would like 10 minutes on each of his amendments to the Roth amendment.

The PRESIDING OFFICER. Objection is heard.

Mr. CRANSTON. If that is accepted, I do not object.

Mr. LONG. I so modify the request.

Mr. ROTH. Mr. President, reserving the right to object, I did not hear the proposal.

Mr. CRANSTON. Senator KENNEDY would like 10 minutes for each of several amendments to the amendment of the Senator from Delaware.

Mr. ROTH. I do not know what his amendments are. I am not willing to enter into a unanimous-consent agreement.

Mr. LONG. Why do we not, for the time being, leave the limitation on the Roth amendment? Then we can obtain a limitation on amendments as they are called up and considered, and they will be subject to a motion to table.

Mr. CRANSTON. That will allow Senator KENNEDY an opportunity to bring up his amendments.

Mr. LONG. Yes. There will be no limitations on amendments to the amendment.

Mr. ROTH. Reserving the right to object, I am not clear on this.

Mr. LONG. The agreement is that we have a limitation on the Roth amendment, which is a half hour, equally divided. There is no limitation on amendments to the amendment. So, if a Senator is to offer an amendment, we can seek a limitation at that time on the amendment to the amendment; or one could move to table the amendment. That is the most severe limitation we can have.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered. There will be 30 minutes on the Roth amendment, equally divided.

Mr. ROBERT C. BYRD. Mr. President, will the Senator yield further?

Mr. ROTH. I yield.

Mr. ROBERT C. BYRD. I thank the Senator for his courtesy and indulgence.

Can we now obtain a time limitation on the amendment of Mr. Danforth? Mr. Morgan has no objection to that.

Mr. LONG. Ten minutes, equally divided.

The PRESIDING OFFICER. The unanimous-consent request of the Senator from Missouri is that following the disposition of the amendment of the Senator from Alabama, he be permitted to call up an amendment, with the time to be 10 minutes on his amendment, equally divided.

Without objection, it is so ordered.

Mr. ROTH. Mr. President, is this counting against my time?

The PRESIDING OFFICER. It is counting against the Senator's time, unless there is unanimous consent otherwise.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that the time not be charged against Mr. Roth.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROTH. Mr. President, I yield myself 3 minutes.

Mr. President, my amendment provides tax credits for education expenses made by an individual for himself, his spouse, and his dependents. To be eligible for the credit, an individual must be a full-time student at an institution of higher education or at a vocational school. The amount of the tax credit is to be \$250. To avoid any dispute with the Budget Committee, I am not proposing at this time the incremental increases to \$500 as proposed in S. 3111, my college tax relief bill.

Mr. President, twice last year the Senate overwhelmingly endorsed my college tax credit legislation by votes of 68 to 20 and 62 to 21.

Mr. President, I ask that the Senate be in order.

The PRESIDING OFFICER. The Senate will be in order. The Senator is entitled to be heard. Will Senators kindly take their seats?

The Senator from Delaware.

Mr. ROTH. Mr. President, in consideration of this amendment, I want to remind my colleagues that the Senate provided room in this year's budget for this amendment by a vote of 59 to 25 and the House by a vote of 311 to 76. I am convinced that Congress can and must enact this legislation to provide tax relief to the millions of families struggling to send their children to college.

According to the statistics, there is a growing number of qualified students who are prevented from obtaining a higher education because of increasing costs. In the past few years the cost of a college education has skyrocketed. According to the College Entrance Examination Board, the annual average total cost of a public university has increased 40 percent in the past 5 years, from \$1,782 to \$2,790.

For a private university, the average annual total cost has increased 35 percent, from \$2,793 to \$4,568.

According to a New York Times survey the total annual cost at many colleges and universities is as high as \$7,000.

Tuition costs will continue to increase. If a parent has a 1-year old baby today, it has been estimated that it will cost \$47,000 to send that child to a public university, and \$82,000 for a private university in the 1990's. For a student entering college next fall, the total cost will be \$17,500 for a public university and \$30,000 for a private college.

The PRESIDING OFFICER. The Senator's 3 minutes have expired.

Mr. ROTH. I yield myself, 1 more minute.

These increasing costs are a primary reason why college attendance has declined in the past few years. The U.S. Census Bureau reports that there has been a significant decrease in the percentage of 18- to 24-year-old dependents attending college full time. In addition, U.S. Census Bureau data shows that families are especially hard hit right now because many of them have more than one child of college age at the same time. These families face the difficult problem of educating two or more children over an 8- to 10-year period.

Middle-income families are especially hard hit by the increasing college educa-

tion costs. There are millions of families today who are neither affluent enough to afford the high cost of college nor considered poor enough to qualify for the many different Government assistance programs which their taxes make possible.

As a result, college attendance of middle-income students has declined substantially in the past few years. Between 1969 and 1974, college attendance for children of middle-income families declined at a rate of 22 percent, while enrollment for lower- and higher-income students remained fairly stable.

Mr. President, we are rapidly approaching a situation in this country where only the very affluent and the very poor will be able to attend college, and I am convinced that action must be taken to ease the financial plight of middle-income American families.

Mr. President, I yield back the floor.

The PRESIDING OFFICER. Who yields time?

Mr. KENNEDY. Mr. President, who is handling the time for the opposition?

The PRESIDING OFFICER. The Senator from Oklahoma has control of 10 minutes. The Senator from Louisiana has 5.

Mr. KENNEDY. Mr. President, if I may have the attention of the Senator from Louisiana, I am opposed to this amendment. Will the Senator yield me time?

Mr. LONG. How much time does the Senator want? I have 5 minutes. He may have my 5.

Mr. KENNEDY. I thank the Senator.

Mr. President, I rise in opposition to this amendment for several important reasons.

The amendment would allow a tax credit of \$250 a year to parents for college tuition expenses.

The cost of the amendment would be: \$175 million in fiscal year 1978; \$1.0 billion in fiscal year 1979; and a total of \$8.2 billion for fiscal year 1978-85.

This amendment is being offered on the wrong bill. It does not belong on the social security bill, and it is unlikely to be accepted by the House conferees.

The Senate Committee on Finance has announced plans to hold hearings on the credit in January, and further floor action by the Senate should be deferred until the issue can be seriously considered by the committee.

As a matter of fact, the amendment belongs on the forthcoming tax reform bill, which Congress will be considering next year, after the proposals of the administration are submitted.

Serious objections exist against the amendment with regard to education policy, tax policy, and budget policy.

First, a direct subsidy is preferable to a tax subsidy.

Federal grant and loan programs are better able to deal with the burden of college education costs, because such programs can target the relief to the specific needs of particular families.

The Federal Government is now spending \$12.7 billion a year in direct outlays and \$3.8 billion in tax expenditures for education, for a total of \$16.5 billion in aid to higher education.

Since 1972, student aid programs in the Office of Education have increased from \$1.0 billion to \$3.4 billion; or a 340 percent increase in 6 years.

This year, the maximum grant under the basic education opportunity grant program will increase from \$1,400 to \$1,600, and the program will reach 241,000 newly eligible middle-income students.

Income eligibility requirements for guaranteed student loans have been increased by the 1976 Higher Education Act to allow loans for families with income up to \$30,000 per year.

In ways like these, the direct grant programs are being targeted more toward middle-income families, and there is less need for the blunderbuss tax credit approach.

Second, the tax credit is inequitable. The credit is not refundable. Therefore, families with incomes too low to pay taxes will get no benefit at all from the credit. If tuition costs go up because of the credit, low-income students will be left in worse condition than under present law—their costs of education will go up, but they will not receive the advantage of the credit.

The amendment discriminates against low-income students in another way, since other forms of student aid are subtracted from the credit. Ninety percent of the recipients of basic education opportunity grants with family income up to \$15,000, would be disqualified from the credit.

The amendment discriminates against self-supporting students, who are ineligible for the credit. The credit is available only for parents claiming dependents. Yet, self-supporting students are the fastest-growing group in the student population; the average college student age is 23.

The benefits of the tax credit will be distributed unfairly among income groups: 60 percent of the benefits will go to families with incomes over \$25,000 a year.

The bill will also change the balance between low cost public colleges and high cost private colleges:

Fifty percent of students in higher education attend schools where the costs of tuition are \$1,000 a year or less. Forty percent charge \$1,000 or less. Only 8.4 percent of private colleges charge \$1,000 or less. Yet, the amendment provides the same amount of tax subsidy, regardless of the tuition costs of the college attended.

Thousands of students in low-tuition community colleges will have their full tuition costs paid by the tax credit; for those in expensive private colleges (where costs may run \$5,000 a year), the credit will be a drop in the bucket.

The heaviest burden is faced by families with more than one child in college at the same time. Yet the amendment ignores this fact. Federal direct grant programs provide increased aid in such cases.

Third, the tax credit is inflationary.

Colleges will use the credit as an excuse for new tuition increases. Colleges are less able to do so now, under existing programs, because the direct Federal

subsidies are targeted to the smaller group of needy students, and tuition cannot be raised without driving away unsubsidized students. But 77 percent of all students would be subsidized by the tuition credit.

The amendment is an open invitation to colleges to adopt across-the-board tuition increases of \$250.

Fourth, the tax credit is essentially an appropriation for education, and it has not been through the authorization or appropriations process.

The credit is little more than an additional appropriation of \$1 billion a year or more for colleges. Parents and students will get no benefit from a \$250 tax credit if tuition costs go up simultaneously by \$250. Since the benefit of the credit is likely to be siphoned off by institutions, Congress should appropriate the funds directly, through the authorization and appropriations process, rather than indirectly through the tax code.

The credit has a serious impact on the budget. The credit is a "wedge" provision, with a relatively low revenue loss in the first year and larger revenue losses in future years.

Federal budget dollars appropriated by the Finance Committee are as real as the dollars appropriated by the Appropriations Committee. The Senate ought to be giving the same close scrutiny to tax expenditures as it gives to direct expenditures. Supporters of such indiscriminate tax spending are the real budget busters and deficit financiers.

Fifth, Mr. President, college costs are not rising as rapidly as income any more.

The amendment is an idea whose time has passed. It is a relic of the surge in tuition costs of the early 1970's.

Recent studies by the College Scholarship Service and the College Entrance Examination Board show that the problem is easing, with college cost inflation rates down and student aid up. For 1977-78, college inflation is estimated at 4.3 percent, compared to 7.5 percent last year, 8.8 percent the year before, and 17.3 percent in 1973-74.

Scholarship money is also increasing more rapidly than college costs—11 percent this year, and 12 percent last year. Since enrollments are down, there is more aid money to spread among fewer students.

In fact, in recent years, family income has been growing at a more rapid rate than education costs. According to the Congressional Budget Office, the median-family income grew by 73 percent from 1968-75, but college costs grew by only 57 percent. The need for the tax credit is declining as family income goes up.

Finally, Mr. President, the tax credit is complex. It puts the Internal Revenue Service in the education business, adds complexity to the tax law, and adds another layer of bureaucracy to education programs.

For those reasons, Mr. President, I oppose the amendment.

Mr. JAVITS. Will the Senator yield?

Mr. KENNEDY. I am afraid I have no further time.

Mr. JAVITS. Mr. President, who has the time?

The PRESIDING OFFICER. The Senator from Oklahoma has 10 minutes. That is time in opposition.

Mr. JAVITS. Has that been used?

The PRESIDING OFFICER. That has not been used. Mr. BELLMON does not appear to be on the floor.

Mr. JAVITS. I ask unanimous consent that I may proceed for 2 minutes.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. JAVITS. Mr. President, I wish to express my agreement with Senator KENNEDY. I do not think he should stand alone in this matter. I have had many opportunities to vote for a tax deduction for college tuition and have felt that that is the wrong way to go. I am the ranking member of the committee which deals with education in this body. It would be distorting, running across the grain of all of our scholarships, our educational opportunity grants—almost everything we do runs precisely the other way.

Here we have just passed the Danforth amendment, which deals with the social security obligations of colleges and universities. We have just taken a step respecting tuition payments, which happens to be very hard on my State but is designed to help veterans with their college tuition. This is simply adding a layer of something totally new and different, with great costs, upon everything we do respecting education and in a very nondiscriminatory way. That is, it really is not tailored to do what even we wish to do.

I believe Senator KENNEDY is right, that hearings should be held—our hearings in our committee do not indicate that there is a justification for this at all. The hearings should be held by the Committee on Finance and we should make some definitive disposition of this matter on the new tax bill. But it certainly should not be done at this stage on this bill. I hope, therefore, that the amendment will be rejected.

Mr. BELLMON. Mr. President, how much time do I have?

The PRESIDING OFFICER. The Senator has 10 minutes.

Mr. BELLMON. Mr. President, I urge the Senate to reject the amendment offered by my good friend, the Senator from Delaware (Mr. ROTH). I want to state at the beginning of my remarks that my position on this amendment is not because of any immediate budgetary considerations, because, as the Senate well knows, there is room in the fiscal year 1978 budget for the Roth amendment. I do have concerns about the out years, but primarily, I rise to oppose the amendment on its merits.

The amendment would provide a college tuition tax credit. In light of the extremely high out-year costs and because the proposal has not received adequate consideration by the Senate, I feel the amendment should not be adopted at this time.

The cost of this proposal in fiscal 1978 is only \$175 million, but that is only the camel's nose under the treasury tent. The authorization results in a cumulative 5-year cost of almost \$4.5 billion in

revenue loss. The major beneficiaries of this indirect spending for higher education are not the Nation's students, who oppose it, but above-average-income parents and higher education institutions.

The proposed credit would provide a subsidy to a much broader range of students than any of the existing grant or loan programs. Approximately 77 percent of all undergraduate students would be subsidized under this amendment. Part-time students and students from low-income families are the main groups who would not receive benefits. This is more than three times as broad as the coverage of the basic opportunity grants (BEOG's) program, the largest student aid program administered by the U.S. Office of Education. Since three out of every four students would receive a subsidy under this amendment, compared to only one out of four under the BEOG's program, it is clear that the Roth amendment would give institutions a substantially greater opportunity to capture the subsidy through tuition increases.

The Senate should be reminded that \$250 does not go very far any more in paying for college tuition and expenses. The average annual cost of a college education is roughly \$4,000. Thus, if the credit were enacted, subsequent efforts would be made to enlarge the credit to \$500, \$750, \$1,000, or even more. The ultimate annual costs will be extremely high.

There is considerable controversy over the merits of a college tuition tax credit. The administration opposes it: both the Treasury Department and the Department of Health, Education, and Welfare oppose it. A significant segment of the higher education community also opposes it. In these circumstances, the credit should be given close scrutiny before it is hastily adopted as Federal education policy. I understand that the chairman of the Finance Committee has made plans to hold hearings on the subject of higher education tax credits in January. Those hearings, announced this week, constitute the first such Senate hearings held on this amendment by that committee or any other.

I commend the Senator from Delaware for persisting in this matter until he does at least get the hearings underway.

The Senate ought to await the conclusion of those hearings to insure that what results is consistent with both deliberate education policy and deliberate tax policy. There are a variety of reasons why this particular proposal may constitute inefficient education policy.

I would like to point out some of the problems. Each of these and other flaws presently unforeseen need to be brought to light before the Senate mortgages the future of higher education policy.

First. The proposal is inequitable both in terms of who pays and who benefits. The proposed amendment would provide tax relief for upper middle income families with college-age children and little incentive or subsidy for other families. The credit fails to target relief to those who need it. In the final year of

operation, 67 percent of the revenue reduction that would result from the Roth credit would accrue to persons in families with adjusted gross incomes above \$25,000, a population more suited to loans and loan guarantees. Since the Roth credit is calculated after deducting other student aid available to individual students, 90 percent of the BEOG's recipients, those with taxable family incomes up to \$15,000, would not be eligible for the Roth credit—those, Mr. President, are the students or the families that need help the most—even further skewing the distribution toward upper income taxpayers.

Second. Existing legislation provides appropriate vehicles if there is to be a deliberative expansion of Federal student aid to middle-income families. Since 1972, there has been a dramatic increase in spending on student aid programs, from approximately \$1.0 billion to \$3.4 billion in the Office of Education programs alone, or a 340-percent increase in just 6 years.

Mr. President, that is almost 60 percent a year in new money the Congress has provided for this purpose.

The thrust of Federal higher education student aid policy continues to be a mix of spending programs targeted on the disadvantaged as well as loans and loan guarantees available to moderate- and middle-income students. The centerpiece of Federal student aid for higher education is the BEOG's program. By increasing the maximum grant in BEOG's from \$1,400 to \$1,600 this year, as assumed in the second budget resolution and as acted on by the Appropriations Committee, the program will reach 241,000 newly eligible middle-income students. The increase in the BEOG's maximum grant will allow moderate-income families a small subsidy to defray the costs of their children's college schooling, thereby, responding in part to the concern raised by Senator ROTH. In response to the same concern the income eligibility requirements for guaranteed student loans were increased in the higher education amendments of 1976 to allow eligibility for families with gross earnings up to \$30,000 per annum.

Third. The basic premise of the proposal, that middle-income families are sending a declining percentage of their children onto higher education because they cannot afford it, may be flawed. Supporters of the amendment argue that the proposal is necessary in order to address the explosive growth in the cost of college. What they fail to take into consideration is that incomes have grown at a faster rate than college costs. CBO reports that from 1968 to 1975, the growth in the median family income was 73 percent, whereas the growth in college costs (both public and private) was only 57 percent.

Let me state that again, Mr. President. The growth in incomes in the period from 1968 to 1975 has been 73 percent, but the growth in college costs has been only 57 percent.

So it is easier now for a family to meet the costs of higher education than it was in 1968. Thus, there may actually be a declining need for tuition assistance as

family income rises. We need to ascertain the roots of the problem before we before we prescribe ineffective remedies prematurely.

Fourth. The Roth credit would likely upset the delicate balance between highly subsidized low-cost public higher education institutions and high-cost private schools. Almost 40 percent of the enrollees in higher education institutions attend schools where tuition and fee charges amount to \$500 or less. Almost 50 percent of public institutions as compared with 8.4 percent of private schools charge \$1,000 or less for tuition and fees. The Roth credit will worsen the competitive balance between public and private institutions.

Although there is room for the fiscal year 1978 costs of this amendment in the budget resolution, we will be seriously mortgaging future budgets if we approve this amendment. This untargeted tax credit will cause future Federal deficits to be greater than they would need to be—or if we ever get a balanced budget, higher taxes than otherwise necessary.

For all these reasons I urge the Senate to reject the Roth amendment.

Mr. President, if we are ever to get a balanced budget, we have to begin to say "No" to these attractive propositions that are brought up and that have far greater effect than the sponsors frequently realize.

Again, I urge the Senate to reject the amendment.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. I yield 3 minutes to the Senator from New Mexico.

Mr. DOMENICI. Mr. President, I rise in support of the Roth amendment. I want to direct my remarks to the Senator from Massachusetts, not by way of specifically asking about his amendment, but with reference to our goal of helping young people get through college.

There is one thing that is missing from almost every formula that I think is very relevant and that the Roth amendment addresses.

The Senator from Oklahoma says that loans and grants are available.

That they have a dollar limitation, and nothing in that dollar limitation relates to the number of children in a household. Also, the Senator from Massachusetts does not have anything in his amendment relating to the number of dependents. It is a phaseout between \$25,000 and \$30,000.

I would say to the Senator from Massachusetts that in my case, I have eight children, I would be exempted entirely from this credit. Somebody else making \$25,000 to \$30,000 a year, with one child, would be entitled to the credit. It seems to me that I am not typical, in having eight children, but most families have two, four, or six children—families come in all sizes.

It is unfair to say to a household with a \$30,000 income and one child, "We are going to give you this tax credit when your child goes to college," but the next door neighbor, who makes \$34,000 and has six children, is not going to receive any assistance, is not going to get any loans, and is not going to get any grants.

So it appears to me that the formula for loans, grants, and the Senator's income phaseout for the Roth tax credit does not take into consideration the kind of hardships families have that are related to income. The Senator would change the credit between one child and two in college.

Therefore, since we cannot do that, it seems to me that the Roth approach is far more equitable over the long haul. It will permit those with a higher income and those with a number of children to still get the credit. It will not have so many built-in inequities.

In conclusion, the group that will be hurt the most by the Senator from Massachusetts amendment are those in the middle and upper middle income range when their children go to college.

I thank the Senator for yielding.

Mr. ROTH. I yield 3 minutes to the Senator from Louisiana.

Mr. LONG. Mr. President, I urged the Senator to offer his amendment on the floor, rather than in the Finance Committee, because the amendment is not germane to the bill. But in the Senate we are not under a rule of germaneness.

The Senator offered an amendment substantially similar to this on the Tax Reform Act last year. The chairman of the House conferees refused to go along, as did the majority of his conferees, and the House was not permitted to vote on it. If the House had been permitted to vote, they would have voted in favor of it.

Then the chairman of the committee there said if we put it on some other bill, he would let the House vote on it, but somebody else found a way to keep the House from voting on it.

This type of amendment, which has been favored in both the House and the Senate, has been denied the privilege of an up-and-down vote in the House.

If I were the Senator from Delaware, I would feel that I had no choice but to offer this amendment on any big revenue bill I could see was headed for the White House and which I thought the President wanted to sign. That is a course the Senator has been compelled to take.

It may very well be that if the amendment is agreed to, the House will not accept it and I may have to come back and ask for approval of a conference report that does not include the Roth amendment.

However, I believe that we owe the Senator our cooperation, in good faith, because more times than one, the Senate has agreed to his amendment; and more times than one, he has been denied the opportunity to have the House express its honest judgment on the issue, because of the technicalities and the parliamentary maneuvering that is possible within the rules of both Houses.

I for one cannot complain that the Senator offers his amendment on this or any other big bill that he thinks is headed for the White House. I expect to vote for the amendment. The Senator has made a good case.

Furthermore, the fact that his amendment is not a refundable tax credit is an entirely different matter. The Approp-

riations Committee and the Budget Committee and others have insisted and have been determined that we should not have any more refundable tax credits—at least, not for the time being. They have enjoyed recommending loans and grants and appropriating money for low-income students. If they cannot find a way to handle it, we will try a refundable tax credit, perhaps, in the future. They have done pretty well by the poor with the loan programs and grants.

As one who has seen how the Senator has been frustrated by the technicalities and the parliamentary maneuvering of those who represent a minority in both Houses, I think the Senator has every right to offer his amendment on any big revenue bill he sees headed for the White House. I cannot complain about his offering it on this bill.

Mr. ROTH. I thank the Senator from Louisiana for his words of support.

Mr. DANFORTH addressed the Chair.

Mr. MOYNIHAN. The Senator from Delaware is the only Senator who has time remaining. He has 4 minutes.

Mr. DANFORTH. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. ROTH. Without detracting from my time.

Mr. DANFORTH. Mr. President, I ask unanimous consent, in connection with unprinted amendment 1050, which was voted on this morning, that the names of the following Senators be added as cosponsors, in addition to myself: Senators RIBICOFF, ALLEN, ANDERSON, BAKER, EAGLETON, FORD, LAXALT, HATFIELD, MATSUNAGA, PACKWOOD, DOLE, LUGAR, SCHMITT, JAVITS, and THURMOND.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. LONG. Mr. President, I ask unanimous consent that it be in order for Senators to offer amendments to the amendment. I believe that under the unanimous-consent agreement, it would require unanimous consent for Senators to offer amendments to the amendment. I ask unanimous consent that it be in order for Senators to offer amendments to the amendment.

The PRESIDING OFFICER. Is the Senator asking for time on those amendments?

Mr. LONG. I believe the time on the amendment has expired.

The PRESIDING OFFICER. About 2 minutes remain.

Mr. LONG. I ask unanimous consent that when the time has expired on the amendment, it be in order for Senators to offer amendments to the amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROTH. Mr. President, a parliamentary inquiry. I have how much time remaining?

The PRESIDING OFFICER. The Senator now has 2 minutes remaining.

Mr. ROBERT C. BYRD. Mr. President, would they not be entitled to offer amendments?

Mr. ROTH. I have no objection to any Senator offering an amendment, but I would like to keep a few minutes for discussion at the end, if that is permissible.

Mr. KENNEDY. Mr. President, if the

Senator will yield, when the time has expired, I intend to offer an amendment. Since I initially indicated that I would be glad to have a 10-minute limitation, I ask that it be evenly divided; and if it is not sufficient, I will be glad to ask for additional time.

Mr. ROTH. Mr. President, I yield back the remainder of my time.

UP AMENDMENT NO. 1059

(Purpose: To adjust the credit for educational expenses according to the number of the taxpayer's children in college.)

Mr. KENNEDY. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) proposes an unprinted amendment numbered 1059 to amendment 1057.

Mr. KENNEDY. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows.

Strike out paragraph (1) of section 44D(b) of the Internal Revenue Code of 1954 (as such section would be added by the amendment) and insert in lieu thereof the following:

"(1) Amount per individual.—The credit under subsection (a) for the taxable year shall not exceed—

"(A) \$150, if such expenses were paid for only one individual, and

"(B) \$250, if such expenses were paid by the taxpayer during the taxable year for more than one individual.

Mr. LAXALT. Mr. President, will the Senator yield for a unanimous-consent request?

Mr. KENNEDY. I yield.

Mr. LAXALT. Mr. President, I ask unanimous consent that Bob Heffler, of the staff of Senator HEINZ, be granted the privilege of the floor during the course of the debate.

The PRESIDING OFFICER. Without objection, it is so ordered.

The PRESIDING OFFICER. Do Senators understand that in order for there to be debate on the amendment, unanimous consent must be obtained?

Mr. LONG. Will the Chair repeat that?

The PRESIDING OFFICER. In order for there to be debate on the amendment, unanimous consent must be obtained.

Mr. LONG. I ask unanimous consent that the amendment be debatable.

The PRESIDING OFFICER. Is there objection? The Chair hears none, and it is so ordered.

Mr. KENNEDY. Mr. President, I would be glad to have a 15-minute limitation—7½ minutes for each side, if that is agreeable.

Mr. LONG. Mr. President, I ask unanimous consent that there be a 20-minute limitation, evenly divided between the Senator from Massachusetts and the Senator from Delaware.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY. I yield myself 5 minutes.

Mr. President, in the material that was circulated earlier is a letter from the distinguished Secretary of Health, Educa-

tion, and Welfare, Mr. Califano. I will read at this time from the final paragraph:

You ask whether the proposed program—

Meaning the Roth amendment—

would be consistent with policies underlying the present direct Federal expenditures for education.

It would be a radical departure. Two factors presently determine the amount of aid a student receives from the Office of Education: the family's ability to pay and the cost of the chosen college.

That is the sound underlying concept of the various Federal education programs, which provide several billion dollars a year through the appropriations process. We are violating that sound concept by adopting this unsound tax credit approach.

Mr. President, earlier we heard my friend from New Mexico talk about the dilemma of those in upper-income groups with large families. But we do not consider the question of the cost of education in isolation. There is a \$750 tax deduction for each member of the family. We know about the \$35 credit per person. There are other provisions in the Internal Revenue Code providing greater benefits for larger families.

So we cannot consider this particular amendment in isolation.

Mr. President, the amendment that I offer provides a very simple modification of the Roth amendment. It gives a credit for the first child of \$125; for the second child or more, it is \$250. The amendment retains the essential part of the Roth amendment, but it draws a distinction between those who have only one child in college and those who have two or more children in college. The total cost of the Roth amendment is \$8.2 billion over the period 1978-85. My amendment will reduce that cost by about 20 percent, or about \$200 million a year.

So, Mr. President, I hope that the amendment will be accepted. I reserve the remainder of my time.

Mr. President, I ask unanimous consent that the full text of Secretary Califano's letter may be printed in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

THE SECRETARY OF HEALTH,
EDUCATION, AND WELFARE,
Washington, D.C., March 31, 1977.

HON. EDWARD M. KENNEDY,
U.S. Senate,
Washington, D.C.

DEAR SENATOR KENNEDY: I am writing in response to your request for an analysis of proposals for the use of tuition tax credits to provide aid to families with college age students.

There is no question but that college costs are rising and that many families must make hard choices to finance a college education. Reduction in the family's standard of living or increased borrowing is often necessary to meet educational expenses. However, there are many combinations of grant and loan programs which would deal with that problem better and more fairly than a program of tuition tax credits, by distributing assistance according to the severity of the particular family's problem. For example, a highly paid professional sending his child to a low-tuition community college would get

as large a benefit under some proposals as a blue collar worker sending his child to an expensive private college with no other aid. A family with income so low that it pays no tax would receive no aid at all. The "solution" proposed by such legislation badly matches the problem.

This, of course, implies an answer to your question regarding whether such a program would target Federal funds to those who need assistance. Such grants would have little relationship to need because almost all students, even those attending low-tuition public institutions, incur sufficient tuition charges and other expenses to be eligible for the maximum credit. A reduction in the allowable credit would occur only where the student received grant or scholarship assistance, and, since today most grants and scholarships are awarded on the basis of need, such a reduction would almost always result from receipt of a need-based grant or scholarship.

A direct, targeted grant program in which both family ability to pay and costs of attendance determine the amount of the student's grant is a desirable way of equalizing educational opportunities, and is highly complementary to loan programs. However, for many of the upper-middle income families which would likely benefit from a grant program such as the tax credit proposal, I suspect a loan program would be preferable. What they need most is to spread college costs over an extended number of years, as is currently done under the Guaranteed Student Loan program. I think most of these families, when faced with large college costs in a particular year, would prefer a \$2,500 long term 7 percent loan to a \$250 to \$500 grant. Where the issue is not ability to pay, but convenience, I believe the loan alternative becomes the more desirable.

The distribution of benefits under a grant program patterned after some proposals would appear to be inequitable among income groups. Benefits would be largely the same, despite differences not only in college costs, but also in income. We estimate that at least 60 percent of tax credit benefits would probably go to families with income of \$18,000 or more—which are considerably better off than the national average. Further, only 30 percent of the benefits would go to families sending children to private colleges, although they have almost 60 percent of the financial need of all families likely to benefit from the credit.

You ask whether the proposed program would be consistent with policies underlying present direct Federal expenditures for education. It would be a radical departure. Two factors presently determine the amount of aid a student receives from Office of Education programs: the family's ability to pay, and the cost of the chosen college. When ability to pay is subtracted from cost, we have need, and in this sense all the Office of Education programs are need based. Perhaps, as some argue, different ways of determining need should be considered, or assignment of responsibility for meeting need among different programs could be improved. I cannot, however, imagine endorsing a student grant program which would completely discard need as a relevant factor in the manner of some tuition credit proposals.

Sincerely,

JOSEPH A. CALIFANO, JR.

The PRESIDING OFFICER. Who yields time?

Mr. ROTH. Mr. President, I would like to ask two questions to clarify his amendment.

The amendment at the desk says \$150, and I believe the Senator from Massachusetts said \$125.

Mr. KENNEDY. It is \$150 in the

amendment at the desk, \$150 for the first child and \$250 for the second child.

Mr. ROTH. Second or each additional child?

Mr. KENNEDY. For more than one child.

Mr. ROTH. They get a total of \$250?

Mr. KENNEDY. The Senator is correct.

Mr. ROTH. Mr. President, I think that the proposal of the Senator from Massachusetts is inadequate. Basically, he is merely reducing the credit for the first child. I might point out that this will barely cover the additional cost for college each year.

Mr. President, I had a constituent come into my office in Wilmington about 2 or 3 weeks ago. She is a schoolteacher. She told me that she also worked at night as a teacher and that her husband was a teacher as well. And she was complaining about how low my college tax credit was, that it was really not offering the basic help that middle America needs.

She may have a point, when one stops and considers what college is costing today. I pointed out earlier that the average public university is costing approximately \$3,000 and the average private university is costing around \$4,500.

According to the New York Times, the total annual cost is going to rise very quickly in the future. So what the distinguished Senator from Massachusetts is offering is a mere pittance.

I point out that my \$250 college tax credit is already weighted in favor of the low income, as I think it should be. My amendment also provides that there will be \$250 for each additional child.

Under the proposal of the Senator from Massachusetts you could have five children and you still would get only \$250. That is practically no help to the average family.

About 2 years ago, Mr. President, the Commissioner of Higher Education in HEW, who at that time made \$37,500, resigned. And he resigned for one reason, and that was because he could not afford to send his children to college.

It is a sad state of affairs when the very individual who heads up higher education for the entire Nation says he has to resign from public office, because he cannot afford to send his children to school.

But what about the person in the private sector, the family that makes \$20,000 or \$25,000? That used to sound like a lot of money. But today it is not. They have to save at least \$3,000 after taxes to send one of their children to college. And are we going to go home and tell them we cannot help them fulfill the American dream of sending their children to college? Is that going to be our message, when we are on the verge of imposing substantial tax increases upon the average American family? The energy tax bill is going to make a substantial difference to the average American family. The social security taxes are going to be hitting the average American family heavily. These new taxes will make it even more difficult for the average family to send their boy or their girl to school.

I say that it is time we recognize this

need and we recognize it by giving some aid that is substantial. For that reason I urge, Mr. President, the rejection of the amendment of the Senator from Massachusetts.

Mr. KENNEDY. Mr. President, the facts of the matter are not as described by the Senator from Delaware.

If you take the top percentile in college aptitude tests, in spite of the inadequacies those tests have, you find that a surprisingly large number come from low-income groups—far larger than their proportion in the population.

We are trying to see that young people in this country with talent are not discriminated against, because of financial ability. There is nothing in the Roth amendment that is going to remedy that situation. Let us make no mistake about that. No one is denying the financial burden that middle-income families are under in terms of the cost of education. But the Roth amendment is not the answer. If you put \$8.4 billion between now and 1985 in the guaranteed student loan program, you could educate almost every child in this country. We ought to spend the money where the need is. We have to have some sense of priorities. We know that our Federal education programs are starved for funds. It is wrong for us to squander a billion dollars a year this way.

The amendment of the Senator from Delaware offers no help to all of the young people who are working their way through college, or who take a year off in order to make enough money to go to college. It gives no help to them. It does not help any low-income families who have children in college, because it is not refundable.

Mr. President, what I am trying to do in this amendment is, at least, if the Senate is going on record to accept tax expenditures like this, to draw at least some distinction between those families that have more than one child who is going to college and those that have only one child in college.

Finally, Mr. President, I cite an example that Secretary Califano uses. He notes in his letter that a highly paid professional sending his child or her child to a low tuition community college would get as large a benefit under Senator ROTH's amendment as a blue-collar worker sending his child to an expensive college with no aid. What sense does that make? I do not think it makes any sense at all.

So I would hope, in terms of trying to meet one of the inequities of the Roth amendment—and my amendment does not meet all of them—that my proposal would be approved. At least, the tax credit should distinguish between families that have one child in college and those that have more than one child in college. I hope that this amendment will be accepted.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I would remind the Senate that my proposal has been overwhelmingly adopted by the Senate on three different occasions. I think it is tailored to help those in the greatest need. We have a number of pro-

grams, both grants and loans, for the disadvantaged and the poor, which I have supported and shall continue to support in the future. But I think my amendment addresses a pressing need the plight of the millions of middle-income families who are considered too rich to qualify for Government aid programs. If the Senator from Massachusetts is ready to yield back the remainder of his time, I will yield back mine.

Mr. KENNEDY. Mr. President, I have one other amendment, on an income cut-off. I would be glad to debate that with the Senator, and then we could have back-to-back votes for the convenience of the Members of the Senate, if the leader wishes to proceed in this way.

Could I have the attention of the leader, the Senator from West Virginia? We have used up our time, Mr. Leader, on this amendment. I have one other amendment. I would be glad to debate it, and then have two back-to-back votes for the convenience of the membership. If that is agreeable, we could have 15 minutes on the next amendment, debate it, and then have a vote on both of the amendments back to back.

Mr. ROTH. I would prefer that we take the amendments up one at a time and vote on them accordingly.

Mr. ROBERT C. BYRD. Mr. President, will the Senator object to the proposal of the Senator from Massachusetts which he has just made?

Mr. ROTH. Yes, I would object.

Mr. KENNEDY. I am prepared to yield back the time. I would like to get a yeas and nays vote.

Mr. ROTH. I make a motion to table the proposed amendment.

Mr. KENNEDY. On the motion to table.

The PRESIDING OFFICER. On the motion to table is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Delaware to lay on the table the amendment of the Senator from Massachusetts.

The clerk will call the roll.

The assistant legislative clerk called the roll.

(Mr. STONE assumed the Chair.)

Mr. CRANSTON. I announce that the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DeCONCINI), the Senator from Kentucky (Mr. HUMBLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Texas (Mr. BENTSEN) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

On this vote, the Senator from Minnesota (Mr. HUMPHREY) is paired with the Senator from North Carolina (Mr. MORGAN).

If present and voting, the Senator from Minnesota would vote "yea" and the Senator from North Carolina would vote "nay."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from Pennsylvania (Mr. HEINZ), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD), the Senator from North Carolina (Mr. HELMS), and the Senator from Alaska (Mr. STEVENS) would each vote "yea."

The result was announced—yeas 49, nays 26, as follows:

[Rollcall Vote No. 624 Leg.]

YEAS—49

Anderson	Garn	Melcher
Baker	Glenn	Nelson
Bayh	Gravel	Packwood
Bellmon	Griffin	Proxmire
Burdick	Hansen	Randolph
Byrd	Haskell	Riegle
Harry F., Jr.	Hathaway	Roth
Byrd, Robert C.	Inouye	Schmitt
Case	Jackson	Schweiker
Chafee	Leahy	Stafford
Church	Leahy	Stennis
Curtis	Long	Talmadge
Danforth	Lugar	Thurmond
Dole	Magnuson	Tower
Domenici	Mathias	Wallop
Durkin	Matsunaga	Zorinsky
Eagleton	McClure	

NAYS—26

Abourezk	Ford	Moynihan
Allen	Hart	Nunn
Brooke	Hollings	Pell
Bumpers	Javits	Sarbanes
Chiles	Kennedy	Stevenson
Clark	McGovern	Stone
Cranston	McIntyre	Williams
Culver	Metcalfe	Young
Eastland	Metzenbaum	

NOT VOTING—25

Bartlett	Heinz	Percy
Bentsen	Helms	Ribicoff
Biden	Huddleston	Sasser
Cannon	Humphrey	Scott
DeConcini	Johnston	Sparkman
Goldwater	McClellan	Stevens
Hatch	Morgan	Weicker
Hatfield	Muskie	
Hayakawa	Pearson	

So the motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, I move to reconsider the vote by which the motion was agreed to.

Mr. MELCHER. Mr. President, I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1080

(Purpose: To provide an adjusted gross income limitation on the college tuition credit.)

Mr. KENNEDY. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

Mr. President, I will be glad to enter into a 15-minute time limitation if it is agreeable to the primary sponsor.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

The Senator from Massachusetts (Mr. KENNEDY) proposes an unprinted amendment numbered 1060 to unprinted amendment No. 1057.)

Mr. KENNEDY. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of subsection (b) of new section 44D of the Internal Revenue Code of 1954, as such section is intended to be added by the amendment, insert the following:

"(3) Phase out between \$25,000 and \$30,000.—

"(A) In general.—If the adjusted gross income of the taxpayer for the taxable year with respect to which the credit is claimed under subsection (a) exceeds \$25,000, the amount of the credit allowed under this section (determined without regard to this paragraph) shall be reduced (but not below zero) by an amount which bears the same ratio to the amount so allowed as the adjusted gross income of the taxpayer for the taxable year in excess of \$25,000 bears to \$5,000.

"(B) Married individuals filing separate returns.—In the case of a married individual filing a separate return, subparagraph (A) shall be applied by substituting '\$12,500' for '\$25,000' and by substituting '\$2,500' for '\$5,000'."

Mr. LONG. Mr. President, I ask unanimous consent that there be 15 minutes debate on the amendment, to be equally divided between the sponsor of the amendment and the opposition.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. JAVITS. Mr. President, if the Senator will yield, I ask unanimous consent that after the Danforth amendment is considered, which I understand is third on the list, my amendment may be considered, numbered 1550.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. BUMPERS. Will the Senator yield for a unanimous-consent request?

Mr. KENNEDY. I yield.

Mr. BUMPERS. Mr. President, I ask unanimous consent that Richard Arnold, of my staff, be granted the privileges of the floor during the consideration of the pending legislation and any votes thereon.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. KENNEDY. Mr. President, may we have order in the Chamber?

The PRESIDING OFFICER. The Senator is correct. The Senate will be in order.

Mr. KENNEDY. Mr. President, I would like to direct a question to the Senator from Delaware, if I may.

Does he intend, as in his Dear Colleague letter, that there be a \$250 credit for each dependent, or does he intend what the text of the amendment pro-

vides, which is a flat \$250 credit per taxpayer. There is an inconsistency between the amendment itself and the explanation of the Senator.

Mr. ROTH. The tax credit of \$250 per individual.

Mr. KENNEDY. If he had two children, it is \$500, is that correct?

Mr. ROTH. That is correct.

Mr. KENNEDY. But the text of the amendment itself and the revenue estimated of \$8.4 billion through 1985 are based upon \$250 per family. If it is \$250 per student, the cost goes up to between \$13 billion and \$14 billion by 1985.

Mr. ROTH. Will the Senator yield?

Mr. KENNEDY. I yield.

Mr. ROTH. That is not correct. The revenue impact—

Mr. KENNEDY. Could we have order, Mr. President?

The ACTING PRESIDENT pro tempore. The Senate will be in order. The Senate is not in order. The Senate will be in order.

Mr. ROTH. That is not correct. The text of the amendment provides a tax credit for the taxpayer, his spouse, or any of his dependents. And according to the Joint Committee on Taxation, the fiscal 1978 revenue impact will be \$175 million, and then it would go up to approximately \$1.2 billion in the succeeding 4 years.

Mr. KENNEDY. The Budget Committee estimate which was provided me was \$8.4 billion for a credit of \$250 per family, \$8.4 billion.

Mr. ROTH. I have never seen that figure. It is directly contrary to what we have been supplied. As I said, the joint committee has given the figure of \$1.2 billion for my proposal.

Mr. KENNEDY. That is the amount for a single year, but it is still based on \$250 per family. The cumulative effect through 1985 is how much? My understanding is that it is \$8.2 billion for fiscal years 1978 to 1985, based on a \$250 credit per family. That is provided by the Budget Committee.

Mr. ROTH. Let me repeat the joint committee estimates. For the first year, 1978, it is roughly \$175 million; 1979 is \$1.2 billion; and 1980 is \$1.2 billion.

Mr. KENNEDY. But that estimate is based on \$250 per family.

Mr. ROTH. That is incorrect. The estimate is based on a tax credit for each individual dependent in college.

Mr. KENNEDY. Mr. President, I direct the Senator's attention to the amendment itself. It talks about the credit under this section shall be an amount equal to so much of the expense paid as does not exceed \$250. It is drafted per individual. That means per individual taxpayer, not per individual student. We are talking about the individual taxpayer.

Mr. ROTH. The language states that the taxpayer could claim a tax credit for himself, his spouse, or his dependents. It depends upon the number of student dependents he has in college.

Mr. KENNEDY. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 2 minutes left.

Mr. KENNEDY. I want to make it very

clear; \$8.2 billion at \$250 per family is the revenue estimate. The intent of the author is \$250 per dependent. That means the estimate will go up to between \$13 billion and \$14 billion by 1985.

Before time runs out, I want to explain my amendment.

What this amendment would do is phase out the tax credit for adjusted gross incomes between \$25,000 and \$30,000, the same way we did in terms of the \$50 rebate earlier this year. The amendment follows exactly the same pattern. It saves about 15 percent of the total expenditure cost.

In the case of the \$50 rebate, before it was dropped altogether, we phased it out for incomes between \$25,000 and \$30,000. It is the intention of this amendment to phase out the education credit for incomes between \$25,000 and \$30,000.

Another precedent is the home heating oil tax credit, which we adopted only last Saturday on the energy tax bill. We included a phaseout in the credit that begins at \$15,000 of income. The phaseout in the pending amendment begins at \$25,000.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Delaware.

Mr. ROTH. Mr. President, I want to make very clear what my amendment does. It provides a tax credit of \$250 per student in college, per dependent. I want to point out that the first year the cost would be \$175 million.

Mr. President, my concern with the amendment of the Senator from Massachusetts is that it is going to have a very limited effect upon those who need aid. The Senator from Massachusetts would phase it out in the area of \$25,000 to \$30,000. But, as I mentioned earlier, 2 years ago we had the head of higher education at HEW, making \$37,500 a year, resign because he could not afford to send his children to college.

There was an article in the New Republic, as well as one in Newsweek, which point out that Middle America, for the first time, is finding itself in a position where it sees downward mobility, where it is not able to reach the great American dream of sending its children to college. The figures show that the group that is trailing behind in continuing into higher education is middle working America.

Mr. LONG. Will the Senator yield at that point?

Mr. ROTH. Yes, I am delighted to yield.

Mr. LONG. As I understand it, this amendment provides a \$250 tax credit to help families send their children to college. A family that has a family income of \$30,000 would not get it.

Mr. ROTH. That is correct.

Mr. LONG. At \$25,000 they would get the full amount; at \$27,500, they would get half; at \$30,000, they would get nothing.

Mr. ROTH. That is correct.

Mr. LONG. I say that anybody who wants to vote for the tax credit, try to explain to those people why you did that. We are saying, "All right, you are so rich. Maybe you have eight children in

the family, but you are so rich, with a \$30,000 income, you are too affluent to get the benefit of it." For somebody making 60 percent of what we make here, if he sends his child to college, he is paying a lot of taxes, but he does not get it.

How does the Senator think that family is going to react when he explains, "I am sorry, but you are affluent, you are making \$30,000 with that family. We want to help the other fellow send his children to college, but not you."

How does the Senator think they are going to take that when he explains that to them?

Mr. ROTH. They are not going to like it. I point out to the Senator from Louisiana that I had a teacher come to my office in Wilmington about 3 weeks ago, complaining that my tax credit was too little. She pointed out that she was working full time, that she has a job in the evening teaching, that her husband is teaching as well, and that they are unable to send their three children to college. They had to withdraw one from school.

Of course, under this amendment, they would not be eligible, and I would hate to face her again.

Mr. BUMPERS. Will the Senator yield for a question?

Mr. ROTH. Yes.

Mr. BUMPERS. Does the Senator have a computation on what it is going to cost the Treasury if we include a refundable tax credit?

Mr. ROTH. We do not have an estimate for a refundable tax credit.

Mr. BUMPERS. Would the Senator agree with me that the amendment is inequitable for people who have to go to the bank and borrow money to pay their children's tuition and who have no tax of any consequence to pay? They get no credit, is that correct? Or would they get a refund?

Mr. ROTH. I point out to the distinguished Senator, that we do have a number of programs, both grants and loans, to help out those at the lower economic end of the scale. But I do not believe your proposal could be considered at a later time.

Mr. BUMPERS. Does the Senator have any objection to a refundable tax credit? If the students are on grants, parents would not be eligible for a tax credit anyway.

Mr. ROTH. I point out to the distinguished Senator that I would be happy to work with him in the future if he wants to look into that. But I do not believe it would be possible in this legislation.

Mr. BUMPERS. But neither the Senator nor the committee has any idea of what this would cost if we made it a refundable tax credit?

Mr. ROTH. I do not have the figures.

Mr. LONG. If the Senator will yield on that point, I do not have an estimate on that. But would not this amendment make it possible to concentrate the money that is available for the grants and the loans at a favored interest rate, all of that on the low income people, because it would take the pressure off by helping people who are not in the low income area?

Mr. ROTH. That is correct. There are several billion dollars available, both in loans and grants, for that purpose.

Mr. BUMPERS. There are all kinds of funds for loans to students, too.

Mr. ROTH. I have limited time. Could we proceed on the pending amendment?

Mr. BUMPERS. I did not realize the Senator was under a time agreement.

Mr. ROTH. Mr. President, I reserve the remainder of my time.

The ACTING PRESIDENT pro tempore. The Senator from Massachusetts.

Mr. KENNEDY. The Senator from Delaware mentioned a \$250 credit per dependent. The cost estimate on that is about \$13 billion. This is a huge Federal subsidy for higher education. But we are providing it for a very select income group, and denying it to the lower income groups. That is bad education policy. It is bad economic policy. It is bad tax policy.

Mr. President, it is important that the Senate know what it is doing. My amendment is an effort to modify the court in a more responsible and equitable way.

Mr. ROTH. Mr. President, I point out that we already have a number of tax credits in the law which do not discriminate against certain income classes. We have a child care credit. We have a home insulation credit and a solar tax credit in the energy bill. None of these credits have income limits. My amendment would not help only a select few. My proposal will help Middle America send its children to school. It will provide some relief to the people who are not eligible for the Government assistance programs their taxes make possible. I urge the rejection of the amendment of the Senator from Massachusetts. I shall make a motion to table it upon the expiration of the time.

The ACTING PRESIDENT pro tempore. All time has expired.

Mr. ROTH. Mr. President, I move to lay the amendment of the Senator from Massachusetts on the table. I ask for the yeas and nays.

The ACTING PRESIDENT pro tempore. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The ACTING PRESIDENT pro tempore. The question is on agreeing to the motion to lay on the table the amendment of the Senator from Massachusetts. The yeas and nays have been ordered. The clerk will call the roll.

The legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Kentucky (Mr. HUBLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. MCCLELLAN), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Tennessee (Mr. SASSER), and the Senator from Alabama (Mr. SPARKMAN) are necessarily absent.

I also announce that the Senator from

Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "nay."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Massachusetts (Mr. BROOKE), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from Pennsylvania (Mr. HEINZ), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), the Senator from Connecticut (Mr. WEICKER), and the Senator from North Dakota (Mr. YOUNG) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD), the Senator from North Carolina (Mr. HELMS), and the Senator from Alaska (Mr. STEVENS) would each vote "yea."

The result was announced—yeas 52, nays 21, as follows:

[Rollcall Vote No. 625 Leg.]

YEAS—52

Allen	Garn	Packwood
Anderson	Glenn	Proxmire
Baker	Gravel	Randolph
Bellmon	Griffin	Riegle
Burdick	Hansen	Roth
Byrd	Hollings	Sarbanes
Harry F., Jr.	Inouye	Schmitt
Case	Jackson	Schweiker
Chafee	Laxalt	Stafford
Chiles	Leahy	Stennis
Church	Long	Stevenson
Curtis	Lugar	Stone
Danforth	Magnuson	Talmadge
Dole	Mathias	Thurmond
Domenici	Matsunaga	Tower
Durkin	McClure	Wallop
Eagleton	McLicher	Zorinsky
Eastland	Nunn	

NAYS—21

Abourezk	Ford	McIntyre
Bayh	Hart	Metcalfe
Bumpers	Haskell	Metzenbaum
Byrd, Robert C.	Hathaway	Moynihan
Clark	Javits	Nelson
Cranston	Kennedy	Pell
Culver	McGovern	Williams

NOT VOTING—27

Bartlett	Hayakawa	Pearson
Bentsen	Heinz	Percy
Biden	Helms	Ribicoff
Brooke	Huddleston	Sasser
Cannon	Humphrey	Scott
DeConcini	Johnston	Sparkman
Goldwater	McClellan	Stevens
Hatch	Morgan	Weicker
Hatfield	Muskie	Young

So the motion to lay on the table was agreed to.

Mr. ROTH. Mr. President, I ask for the yeas and nays on the Roth amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

UP AMENDMENT NO. 1061

Mr. BUMPERS. Mr. President, I send an amendment to the desk.

The PRESIDING OFFICER. The amendment will be stated.

The second assistant legislative clerk read as follows:

The Senator from Arkansas (Mr. BUMPERS) proposes an unprinted amendment numbered 1061 to the Roth unprinted amendment numbered 1057.

Mr. BUMPERS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the amendment add the following:

(d) CREDIT TO BE REFUNDABLE.—

(1) Section 6401(d) is amended—

(A) by striking out "oil" and "43" and inserting in lieu thereof "oil", "43",

(B) by inserting "and 44D" after "credit)", and

(C) by striking out "and 43," and inserting in lieu thereof ", 43, and 44D".

(2) Section 6201(a)(4) is amended—

(A) by striking out "or 43" in the caption and inserting in lieu thereof ", 43, or 44D",

(B) by striking out "oil" or section 43" and inserting in lieu thereof "oil", section 43", and

(C) by inserting "or section 44D," after "income)",

(3) This subsection (d) shall be effective only during fiscal 1978.

Mr. BUMPERS. Mr. President, I will take only a few moments.

This amendment is very simple. It provides for a refundable tax credit for the year 1978. All it does is include the people in this country who are not in a taxable category, who pay no income tax, or who pay less than the \$250 tax credit for a student that would be allowed under the Roth amendment.

The Roth amendment is projected to cost a billion dollars. This amendment simply would add \$100 million to the cost of that amendment. It is a very small amount, but it certainly is egalitarian. It would be patently unfair for us to approve the Roth amendment and say to a lot of people in this country who need help much worse than those who are going to get it under the Roth amendment, "There is nothing in the bill for you."

Mr. STENNIS. Mr. President, may we have order?

The PRESIDING OFFICER. The Senate is not in order. The Senate will be in order.

Mr. BUMPERS. Mr. President, I will give a classic case in point, and I can speak from experience; because when I practiced law, I came across this frequently.

A woman with minor children loses her husband and is left to educate the children.

If her husband was covered under social security, as long as those children are minors or as long as they are in college and over 21, she and they would be entitled to social security benefits. It is a token amount, according to today's living standards. But this income is not taxable.

However, if this is her sole source of income, bear this in mind. She is trying to send a child to college on that small amount of social security payment and is limited in the past, as she has been, to \$3,000 in earned income a year. She has virtually no taxable income. This amendment simply would say that she is en-

titled to that \$250 tax credit. Why should she not be entitled to it?

I will give another example. I can tell Senators about one student in this country who paid his own tuition last year from his summer earnings, and that was my son. He at least helps sustain himself to the extent of paying his tuition. By his doing that, and the fact that I have paid 10 times that much to maintain him during the year, the Roth amendment would deprive me of the tax credit.

By the same token, youngsters who are paying all their tuition and all their expenses—and literally hundreds of thousands are doing so in this country today—would be deprived of this tax credit.

Finally, those people who are on basic educational grants would have that amount subtracted from any tax credit to which their parents would be entitled.

For those reasons and many more which I have not taken the time to enumerate for the Senate, this seems like a minimal amount to spend toward a very egalitarian purpose, one that is worthy and one that I certainly hope my colleagues will adopt.

Mr. RANDOLPH. Mr. President, will the able Senator yield?

Mr. BUMPERS. I am happy to yield.

Mr. RANDOLPH. Mr. President, I appreciate the family illustration of the Senator's son, during his work-study program. Frankly, there are thousands and thousands of sons, and yes, daughters too, not only teenage children, who earn money used in their education. These youth are working in the afternoon and at night as they pursue their college education and then receive degrees.

There is equity in the Senator's amendment, which I cosponsor. I support it, as the Senator from Arkansas (Mr. BUMPERS) has said because the provision is "worthy."

Mr. President, I recall that I worked as I went through academy and college years. Mrs. Randolph and I had two sons who did likewise.

I recall J. Buhl Shahan, a student in my classes at Davis and Elkins College. He sold over 100 items, with his wares on the racks of a bicycle. He graduated with honors and became a State senator and successful educator.

Mr. President, the Bumpers amendment makes sense. It will aid the mothers and fathers and their children. It will cushion the cost of higher education.

Mr. BUMPERS. I thank the Senator very much.

Mr. President, I have no purpose in elaborating further. I hope I have made the point. I made it about as well as I could make it if I had another hour to spend on it.

I am prepared to vote on it. I do not want to deprive the Senator from Delaware of an opportunity to respond if he chooses.

Mr. LONG. Mr. President, I had some doubts because of the point raised by the Budget Committee that we could make this a refundable tax credit, but there have been some consultations held and the last advice I heard from the Parliamentarian was that the amend-

ment apparently did not violate the budget.

Mr. President, a parliamentary inquiry.

The PRESIDING OFFICER. The Senator will state it.

Mr. LONG. Does this amendment in the opinion of the Chair violate the budget provisions of law by which we are constrained at this moment?

The PRESIDING OFFICER. The Chair sees no violation of any applicable provisions of the Budget Act.

Mr. LONG. Mr. President, if that is the case, I hope that the Senator from Delaware will agree to accept the amendment.

Mr. ROTH. As long as it is within the budget resolution, the Senator from Delaware will accept it.

Mr. LONG. Mr. President, I ask unanimous consent that we rescind the order for the yeas and nays.

Mr. BUMPERS. I did not get the yeas and nays on this. I am prepared to vote on it.

Mr. BELLMON. Mr. President, just to keep the record straight, this is not in a budget resolution, but because of a fluke it is not subject to a point of order. It is plainly outside the budget resolution.

Mr. LONG. Mr. President, if it is not subject to the budget resolution, I hope the Senate will accept the amendment and take it by voice vote.

Mr. BUMPERS. I wish to do that.

Mr. President, I ask unanimous consent to add my colleague from West Virginia (Mr. RANDOLPH) as a cosponsor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. JACKSON. Vote!

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Arkansas. (Putting the question.)

The ayes appear to have it. The ayes have it, and the amendment is agreed to.

The question now occurs on the amendment, as amended, by the Senator from Delaware.

On this question the yeas and nays have been ordered, and the clerk will call the roll.

The second assistant legislative clerk called the roll.

Mr. METCALF (after having voted in the negative). Mr. President, on this vote I have a pair with the distinguished Senator from Tennessee (Mr. SASSER). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. ABOUREZK (after having voted in the negative). Mr. President, on this vote I have a pair with the distinguished Senator from Delaware (Mr. BIDEN). If he were present and voting, he would vote "yea." If I were at liberty to vote, I would vote "nay." I withdraw my vote.

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Mississippi (Mr. EASTLAND), the Senator from Kentucky (Mr. HUMPHREY), the Senator from Minnesota (Mr. HUMPHREY), the Senator from

Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Tennessee (Mr. SASSER), and the Senator from Alabama (Mr. SPARKMAN) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY), would vote "yea."

On this vote, the Senator from Connecticut (Mr. RIBICOFF) is paired with the Senator from North Carolina (Mr. MORGAN). If present and voting, the Senator from Connecticut would vote "yea" and the Senator from North Carolina would vote "nay."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Massachusetts (Mr. BROOKE), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT), is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD), the Senator from North Carolina (Mr. HELMS), and the Senator from Alaska (Mr. STEVENS) would vote "yea."

The result was announced—yeas 61, nays 11, as follows:

[Rollcall Vote No. 626 Leg.]

YEAS—61

Allen	Griffin	Moynihan
Anderson	Hansen	Nelson
Baker	Haskell	Nunn
Bayh	Hathaway	Packwood
Bumpers	Helms	Proxmire
Burdick	Hollings	Randolph
Byrd	Inouye	Riegle
Harry F., Jr.	Jackson	Roth
Byrd, Robert C.	Javits	Sarbanes
Case	Laskit	Schmitt
Chafee	Leahy	Schweiker
Church	Long	Stafford
Curtis	Lugar	Stevenson
Danforth	Magnuson	Talmadge
Dole	Mathias	Thurmond
Domenici	Matsunaga	Tower
Durkin	McClure	Wallop
Eagleton	McGovern	Williams
Ford	McIntyre	Young
Garn	Melcher	Zorinsky
Gravel	Metzenbaum	

NAYS—11

Bellmon	Culver	Pell
Chiles	Glenn	Stennis
Clark	Hart	Stone
Cranston	Kennedy	

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—2

Metcalf, against.
Abourezk, against.

NOT VOTING—26

Bartlett	Eastland	Huddleston
Bentsen	Goldwater	Humphrey
Biden	Hatch	Johnston
Brooke	Hatfield	McClellan
Cannon	Hayakawa	Morgan
DeConcini	Helms	Muskie

Pearson
Percy
Ribicoff

Sasser
Scott
Sparkman

Stevens
Weicker

So Mr. ROTH's amendment (No. 1057), as amended, was agreed to.

Mr. ROTH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. BAKER. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1062

(Purpose: Relating to cost-of-living increases under social security.)

Mr. CHURCH. Mr. President, I send to the desk an amendment and ask that it be reported.

The PRESIDING OFFICER. The Clerk will report.

The legislative clerk read as follows:

The Senator from Idaho (Mr. CHURCH), for himself and others, proposes an unprinted amendment numbered 1062.

Mr. CHURCH. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of title I of the Act, add the following new section:

COST-OF-LIVING INCREASES

(a) Effective with respect to monthly benefits and lump-sum death payments payable for months after November 1977, section 215 (1) of the Social Security Act is amended by—

1. Striking out paragraph (1) and inserting in lieu thereof the following:

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

"(A) the term 'base period' means (i) the three-month period ending on March 31, 1977, (ii) the month of August in 1977 or in any succeeding year, (iii) the month of February in 1978 or in any succeeding year, or (iv) any other month which is the effective month of a general benefit increase under this title;

"(B) the term 'cost-of-living computation period' means (i) a base period, as defined in subparagraph (A) (other than clauses (1) and (iv) thereof) which occurs after July 1977 in which the Consumer Price Index prepared by the Department of Labor exceeds, by not less than 4 per centum, such index in the later of (1) the last prior cost-of-living computation period which was established under this subparagraph (whether under the law in effect in November 1977, or after November 1977) or (ii) the most recent month which was the effective month of a general benefit increase under this title, or (ii) a base period, as so defined, which occurs after July 1977, in which such Consumer Price Index exceeds, by not less than 3 per centum, such index in the later of (i) or (ii), and in which more than 6 months have elapsed since such later period or month and up to but not including the base period being considered; except that there shall be no cost-of-living computation period in any calendar year if in the year prior to such year a law has been enacted providing a general benefit increase under this title or if in such prior year such a general benefit increase becomes effective; and

"(C) the Consumer Price Index for a base period of 3 months or a cost-of-living computation period of 3 months shall be the arithmetical mean of such index for the 3 months in such period."

2. Striking out so much of paragraph (2) as precedes the word "increase" and inserting in lieu thereof:

"(2) (A) (i) The Secretary shall determine each year beginning with 1977 (subject to the limitation in paragraph (1) (B)) whether a base period (as defined in paragraph (1) (A) (ii) or (iii)) in such year is a cost-of-living computation period.

"(ii) If the Secretary determines that a base period in any year is a cost-of-living computation period, he shall, effective with the month of June of such year, where such period is the month of February of such year, and effective with the month of December of such year, where such period is the month of August of such year, as provided in subparagraph (B)."

3. Striking out "quarter" each place it appears after the word "increase" in the penultimate sentence of subparagraph (2) (A) (ii) and inserting in lieu thereof, "period";

4. Striking out "calendar period" in such penultimate sentence (as previously amended) and inserting in lieu thereof "month".

5. Striking out "(1) (A) (ii) in such penultimate sentence and inserting in lieu thereof "(1) (A) (iv)";

6. Striking out "months after May" and all that follows in subparagraph (2) (B) and inserting in lieu thereof:

"months (I) after May of the calendar year in which occurred such cost-of-living computation period in the case of an increase based on a cost-of-living computation period of the month of February of such year, or (II) after November of that year in the case of an increase based on a cost-of-living computation period of the month of August of such year, and in the case of lump-sum death payments with respect to deaths occurring after such May or November";

7. Striking out "quarter" each place it appears in subparagraph (B), (C), and (D) of subsection (2) and inserting in lieu thereof "period"; and

8. Striking out (1) (A) (ii) in subparagraph (2) (C) and inserting in lieu thereof (1) (A) (iv)";

(b) Effective with determinations after 1977, section 230 of the Social Security Act by striking out subsection (a) and inserting in lieu thereof:

"(a) If the Secretary institutes pursuant to section 215(1) one or more benefit increases which become effective in any calendar year, he shall after October 1 and not later than November 1 of such year determine and publish in the Federal Register the contribution and benefit base determined under subsection (b) which shall be effective with respect to remuneration paid after such year and taxable years beginning after such year."

(c) Effective with determinations after 1977, section 203(f)(8) (A) of such Act is amended to read as follows:

"(A) If the Secretary institutes pursuant to section 215(1) one or more benefit increases which become effective in any calendar year, he shall after October 1 and not later than November 1 of such year determine and publish in the Federal Register a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends after such calendar year."

(d) Section 1618(b) of such Act is amended to read as follows:

"(b) The Secretary shall not find that a State has failed to meet the requirements imposed by paragraph (4) of subsection (a) with respect to the level of its supplementary payments for a particular month or months if the State's expenditures for such payments in the twelve-month period (within which such month or months fall)—

(1) beginning on the effective date of any increase in the level of supplemental security income benefits pursuant to section 1617 and ending before July 1, 1979, are not less

than its expenditures for such payments in the preceding twelve-month period, or

(2) beginning on July 1, 1978, and July 1 of each year thereafter are not less than its expenditures for such payments in the twelve-month period beginning July 1, 1977, and ending June 30, 1978, or, if the first such payments are made by a State after July 1977, not less than its expenditures for such payments in the first full twelve-month period beginning July 1 in which such payments are made."

(e) Effective with respect to monthly benefits and lump-sum death payments payable for months after December 1978, section 215(1) of the Social Security Act, as amended by subsections (a) through (d) of this section and by section 104 of this Act, is further amended by—

1. Striking out so much of paragraph (2) as precedes subparagraph (A) (i) (I) thereof and inserting in lieu thereof:

"(2) (A) (i) The Secretary shall determine each year beginning with 1978 (subject to the limitation in paragraph (1) (B)) whether a base period (as defined in paragraph (1) (A) (ii) or (iii) in such year is a cost-of-living computation period.

"(ii) If the Secretary determines that a base period in any year is a cost-of-living computation period, he shall, effective with the month of June of such year, where such period is the month of February of such year, and effective with the month of December of such year, where such period is the month of August of such year, as provided in subparagraph (B), increase—"

2. Striking out "quarter" each place it appears in the penultimate sentence of subparagraph (2) (A) (ii) and inserting in lieu thereof, "period";

3. Striking out "(1) (A) (ii) in such penultimate sentence and inserting in lieu thereof "(1) (A) (iv)";

4. Striking out "months after May" and all that follows in subparagraph (2) (A) (iii) and inserting in lieu thereof:

"months (I) after May of that year in the case of an increase based on a cost-of-living computation period of the month of February of such year, or (II) after November of that year in the case of an increase based on a cost-of-living computation period of the month of August of such year, and in the case of lump-sum death payments with respect to deaths occurring after such May or November."

Sponsors of Church semiannual cost-of-living amendments:

Domenici, Clark, Williams, Pell, Stafford, Humphrey, Abourezk, Hatfield.

Riegle, Randolph, Stone, McIntyre, Eastland, McGovern, Metcalf, Melcher.

Bumpers, Leahy, Cannon, Anderson, Brooke, Thurmond, Bayh, Hart, Kennedy.

Magnuson, Weicker, Sarbanes, DeConcini, Heinz, Chiles, Case, Jackson.

Haskell, Durkin, Javits, Hollings, Percy, Ford, Metzenbaum, Biden, Burdick, Hathaway.

Mr. ROBERT C. BYRD. Mr. President, will the distinguished Senator yield to me?

Mr. CHURCH. Yes, I am happy to yield to the majority leader.

Mr. ROBERT C. BYRD. I thank the Senator. Mr. President, may we have order in the Senate?

The PRESIDING OFFICER. The Senate will be in order. Senators will cease conversations. Staff members will retire to the seats provided for them in the rear of the Chamber, and will cease conversations.

The Senator from West Virginia.

Mr. ROBERT C. BYRD. I thank the Chair. Mr. President, I take the floor at

this time to ascertain what amendments remain to be offered, and to try, if possible, to secure time limitations on those amendments that remain to be offered.

It is the intention of the leadership, and I think I speak on behalf of Mr. BAKER and myself—he is present and can comment, and will, I am sure—to complete action on this bill tonight, and following that, we would hope, if it is not too late, that we can also take up and dispose of S. 2159, which has to do with the medical schools receiving capitation grants, and the enrollment of third year medical students in the school year 1978 and 1979 therein.

It is hoped that the time limitation agreement that has already been entered on that bill may be reduced, and I think there are good indications that that is possible.

Mr. BAKER. Mr. President, will the majority leader yield for just a moment?

Mr. ROBERT C. BYRD. Yes.

Mr. BAKER. I have an indication that we can reduce the time limitation on this side of the aisle to 30 minutes on the bill and 10 minutes on each of two amendments, one, I think, by Mr. JAVITS—

Mr. JAVITS. No. One by Mr. SCHWEIKER and Mr. HATCH.

Mr. BAKER. SCHWEIKER and HATCH?

Mr. JAVITS. Well, it is going to be offered by Mr. SCHWEIKER.

Mr. ROBERT C. BYRD. Will the distinguished minority leader repeat that?

Mr. BAKER. Yes; we can reduce the time limitation previously provided for to 1 hour on the bill and 10 minutes on an amendment by Mr. HATCH and 10 minutes on one by Mr. SCHWEIKER.

Mr. ROBERT C. BYRD. I thought it was indicated there would be a possibility to reduce the time on the bill to 30 minutes.

Mr. BAKER. Yes; and there is another amendment, though, by the distinguished Senator from New York.

Mr. JAVITS. No, I have set it aside and will not have an amendment. But Senator MATHIAS is here, and he has an amendment.

Mr. MATHIAS. Ten minutes.

Mr. BAKER. And 30 minutes on the bill. Is that satisfactory?

Mr. JAVITS. Thirty minutes on the bill; I will take a chance on that in the absence of Senator WILLIAMS.

Mr. MATHIAS. I agreed with the Senator from Massachusetts that I could have about 7 minutes and he would have the balance, so there will be 10 minutes total on the amendment.

Mr. JAVITS. I do not know what the attitude of the Senator from Massachusetts is going to be.

Mr. ROBERT C. BYRD. I understand from the Senator from Massachusetts (Mr. KENNEDY) that he would be agreeable to cutting the time limit.

Mr. JAVITS. I know, but I do not know whether he is against the amendment. We are against it. So I suggest 5 minutes on the side, or, if Senator MATHIAS wants 7, give him 7.

Mr. ROBERT C. BYRD. Mr. President, could we pass that for a moment? I am still hopeful we can do that bill tonight, because I think it is important that it be done before we go out. But I want to

move back, now, until we resolve that matter, without taking too much time, to the amendments that will remain to be called up on the pending bill.

Mr. CHURCH has an amendment at the desk at this time, while he is patiently indulging this colloquy. Would the Senator be agreeable to a 20-minute time limitation on his amendment, to be equally divided?

Mr. CHURCH. Yes, I would be happy with a 20-minute time limitation, but I would like to ask for the yeas and nays on the amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that there be a 20-minute time limitation on an amendment by Mr. CHURCH, to be equally divided and controlled in accordance with the usual form.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Now, Mr. President, I ask unanimous consent that the time I am consuming not be charged to the amendment by Mr. CHURCH.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. All right; now, Mr. Minority Leader, what is your proposal on the medical bill?

Mr. BAKER. I thank the majority leader. Mr. President, it is my understanding, and I see that the principals are here, with the possible exception of one, that we could reduce the time on the bill to 30 minutes, the time on an amendment by Mr. HATCH to 10 minutes, equally divided, the time on an amendment by Mr. SCHWEIKER to 10 minutes, to be equally divided, and the time on an amendment by Mr. JAVITS—

Mr. JAVITS. I have no amendment.

Mr. BAKER. Mr. JAVITS will have no amendment, and that covers the provisions we will have on this side.

Mr. ROBERT C. BYRD. And that the agreement be in the usual form?

Mr. BAKER. And that the agreement be in the usual form.

Mr. ROBERT C. BYRD. I make that request, Mr. President.

Mr. MATHIAS. Mr. President, reserving the right to object, I have an amendment.

Mr. BAKER. We provided for it. Ten minutes, to be equally divided.

Mr. JAVITS. I will allow him more from my time on the bill, if he needs more than 10 minutes equally divided. It can be adjusted.

The PRESIDING OFFICER. Is there objection? Without objection, it is so ordered.

Mr. ROBERT C. BYRD. I thank the distinguished minority leader and all Senators.

This all comes after the social security bill tonight. If action is completed on the social security bill tonight, as we anticipate it will be, and on the medical bill, there will be no session tomorrow.

Mr. President, there is a time limitation already agreed to on the Danforth amendment of 10 minutes, to be equally divided. There is an amendment by Mr.

JAVITS; is the distinguished Senator from New York agreeable to 40 minutes, equally divided?

Mr. JAVITS. Yes.

Mr. ROBERT C. BYRD. Or less?

Mr. JAVITS. Forty minutes. We can say what it is; it is an amendment on unemployment compensation.

Mr. ROBERT C. BYRD. All right; Mr. President, I make that 40 minutes, equally divided, on the Javits amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, Mr. Tower has an amendment in the nature of a substitute. I understand he is agreeable to 40 minutes, to be equally divided.

Mr. TOWER. Mr. President, I will agree to that. It is not now in the nature of a substitute; it is being withdrawn. But I will agree to 40 minutes.

Mr. ROBERT C. BYRD. Mr. President, I make that request.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Mr. President, are there further amendments to the social security bill?

Mr. CURTIS. Mr. President, reserving the right to object, has any agreement been entered into with reference to the Church amendment?

Mr. ROBERT C. BYRD. Twenty minutes, to be equally divided.

Mr. CURTIS. Who will have charge of the time in opposition?

Mr. ROBERT C. BYRD. In the usual form; it will be the manager of the bill, or, if he is in agreement, then the distinguished minority leader or his designee.

Mr. CHILES. Mr. President, I have two amendments, on which I request 10 minutes.

Mr. ROBERT C. BYRD. Ten minutes equally divided?

Mr. CHILES. Ten minutes on each side.

Mr. ROBERT C. BYRD. All right. Two amendments by Mr. CHILES, 20 minutes on each, equally divided.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, reserving the right to object, what are they?

Mr. CHILES. We have discussed them with your staff. One has to do with an earnings limitation, and one is a retirement provision.

Mr. NELSON. Just so I will know, what is the earnings limitation amendment about?

Mr. CHILES. Let me get it for you.

Mr. ROBERT C. BYRD. Mr. President, while Senator CHILES is responding, Mr. GRIFFIN has an amendment. Is it agreeable that there be 20 minutes, equally divided, on that amendment?

Mr. BAKER. Mr. President, it is my understanding he is willing to accept 10 minutes, equally divided.

Mr. ROBERT C. BYRD. Ten minutes equally divided?

Mr. BAKER. Yes, 10 minutes equally divided.

Mr. ROBERT C. BYRD. Mr. President, I make that request, that there be a 10-minute limitation on Mr. GRIFFIN's amendment.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. BAKER. Mr. President, I understand the Senator from Kansas has an amendment.

Mr. DOLE. Mr. President, I have an amendment with the distinguished Senator from New York (Mr. MOYNIHAN) which will be accepted. It will take 1 minute.

Mr. CURTIS. Is it a good amendment?

Mr. DOLE. One which we have discussed with the distinguished floor leader of this bill, the ranking minority member, the Senator from Illinois, the Senator from Nevada, and the Senator from Oregon.

Mr. ROBERT C. BYRD. Mr. President, if I could have the attention of the Senator from Wisconsin (Mr. NELSON) for just a moment—and I beg his pardon, because he is working with Mr. CHILES on a time agreement—Mr. DOLE and Mr. MOYNIHAN, I believe, have an amendment. What is the time limitation?

Mr. DOLE. One minute.

Mr. ROBERT C. BYRD. One minute, equally divided?

Mr. DOLE. Right.

Mr. ROBERT C. BYRD. What a bargain.

Mr. DOLE. Right.

Mr. ROBERT C. BYRD. This is a bargain basement night.

Mr. CURTIS. I am a little suspicious; this looks like collusion.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent that on the amendment by Mr. DOLE and Mr. MOYNIHAN there be 5 minutes equally divided. If they want to yield the time back, that will be all right.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MAGNUSON. How many hours does this add up to?

Mr. ROBERT C. BYRD. Not too many.

Mr. MAGNUSON. How many? Let us have some idea. We want to know if we are going to be here until 11 o'clock. I just added up the unanimous-consent agreements in my own mind, and it takes us up to 11 o'clock.

Mr. ROBERT C. BYRD. The Senator answered his own question.

Mr. MAGNUSON. We will stay until 11 o'clock?

Mr. ROBERT C. BYRD. Yes. May I say to the distinguished Senator that Mr. NELSON will yield back his time.

Mr. MAGNUSON. But the majority leader has us up to 11 o'clock.

Mr. ROBERT C. BYRD. No.

Mr. MAGNUSON. Unless I have added it up wrong.

Mr. ROBERT C. BYRD. The Senator never adds it up wrong.

Mr. ALLEN has an amendment. I will ask Mr. NELSON what time would be required there.

May I say to my friend from Washington, I do not believe we will be that late, but I could be wrong.

Mr. MAGNUSON. I will stay here until 11 o'clock in the morning, but I believe most Senators want to know or have a rough idea.

Mr. NELSON. What was the Senator's request?

Mr. ROBERT C. BYRD. On Mr. ALLEN's amendment.

Mr. NELSON. Mr. ALLEN told me he only wished to speak on it for 3 minutes with no rollcall.

Mr. ROBERT C. BYRD. Mr. President. I ask unanimous consent that there be a time limitation on rollcall votes of 10 minutes.

The PRESIDING OFFICER. Is there objection, The Chair hears none, and it is so ordered.

Mr. BAKER. Mr. President, reserving the right to object.

The PRESIDING OFFICER. Does the Senator from Tennessee reserve the right to object?

Mr. BAKER. We have no objection.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. ROBERT C. BYRD. Now, Mr. President, if the distinguished Senator from Idaho will yield another 30 seconds, the distinguished Senator from Washington has very appropriately pointed out that we are going to be here quite a while yet under the best circumstances. I would hope that where Senators can restrain themselves they do so, and yield back their time, and also not ask for rollcall votes where they can restrain themselves. I see the distinguished Senator from Washington nodding his head affirmatively and with a beautiful smile on his face.

Now I will ask Mr. ALLEN what he would be agreeable to on his amendment.

Mr. ALLEN. I would just as soon not set a time limit, but I will not use more than 5 or 10 minutes on each amendment.

Mr. ROBERT C. BYRD. That is fair enough.

Mr. HEINZ. Will the Senator yield for a unanimous-consent request?

Mr. CHURCH. Yes. I will yield for that purpose.

Mr. HEINZ. Mr. President, I ask unanimous consent that Bob Hepler, of my staff, be granted the privileges of the floor today and tomorrow.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CRANSTON. Mr. President, I ask the same for Jonathan Fleming of my staff.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. CHURCH. Mr. President, this amendment would provide semiannual cost-of-living adjustments for social security beneficiaries during periods of accelerated inflation.

Under present law, social security benefits are increased automatically in July, provided that the consumer price index rises by 3 percent or more during the preceding year.

It was my privilege to sponsor legislation in 1972 which led to the establishment of this cost-of-living mechanism to protect social security beneficiaries from rising prices.

This represented an historic first step toward safeguarding older Americans from inflation. But the mechanism needs further tuning.

This amendment would authorize cost-of-living adjustments—in January

and July—provided the inflationary index increases by at least 4 percent semiannually from one benefit period to another. The measuring period would be from February to August to determine whether beneficiaries would be entitled to a cost-of-living increase in January, and from August to February for any possible July increase.

The PRESIDING OFFICER. The Senator will suspend. There is so much confusion and noise in the Chamber the Chair is unable to hear the Senator from Idaho. The Senate will be in order. The Senator from Idaho.

Mr. CHURCH. I thank the Chair.

The first possible semiannual adjustment under the cost-of-living amendment would be in January 1978. A 4-percent inflationary rate from the first quarter in 1977 to August 1977 would be necessary to trigger a cost-of-living adjustment in January 1978.

Actually, Mr. President, the inflationary rate fell below the triggering point.

If the inflationary rate did not reach this level, social security beneficiaries would be entitled to a cost-of-living increase when the Consumer Price Index rises by at least 3 percent over a 12-month period since the last adjustment.

In the vast majority of cases, social security beneficiaries would still receive only one cost-of-living adjustment per year under the amendment because an annual inflationary rate of 8.2 percent would be necessary for semiannual adjustments. The amendment, though, would provide protection when the aged and disabled need it the most—during periods of rapid inflation when rising prices are washing away their purchasing power.

In the 1976 campaign President Carter endorsed more frequent adjustments in social security benefits during times of accelerated inflation.

Civil service annuitants now receive two cost-of-living increases a year. To my way of thinking, similar protection should be available for social security beneficiaries.

As things now stand, they receive only one cost-of-living adjustment, whether the inflationary rate is 3 percent, 13 percent, or 20 percent. A once-a-year adjustment may simply be too rigorous for older Americans struggling to get by on limited incomes. Semiannual adjustments would keep social security benefits more current with rising prices.

The amendment would not only provide greater protection against inflation for about 33 million social security beneficiaries, it would also help others as well.

More than 4 million aged, blind, and disabled supplemental security income recipients would benefit because the SSI automatic escalator provision is pegged to the social security cost-of-living adjustment mechanism.

In addition, about 1.4 million railroad retirement beneficiaries would be entitled to semiannual cost-of-living adjustments on the tier I portion of their annuities.

Inflation is the elderly's No. 1 enemy. As prices go up, their purchasing power dwindles.

This semiannual cost-of-living adjustment amendment can provide essential relief for these older Americans.

I am pleased that leading organizations in the field of aging, including the National Retired Teachers Association-American Association of Retired Persons and the National Council of Senior Citizens, have enthusiastically endorsed this amendment.

Today I received a letter from the National Retired Teachers Association and the American Association of Retired Persons endorsing the amendment. I ask unanimous consent that this letter may be printed at this point in the RECORD.

There being no objection, the letter was ordered to be printed in the RECORD, as follows:

NATIONAL RETIRED TEACHERS ASSOCIATION-AMERICAN ASSOCIATION OF RETIRED PERSONS.

November 2, 1977.

HON. FRANK CHURCH,
Chairman, Special Committee on Aging,
Washington, D.C.

DEAR SENATOR CHURCH: The 12 million member National Retired Teachers Association and American Association of Retired Persons strongly endorse your amendment to the social security financing legislation to provide more frequent cost-of-living adjustments in social security benefits.

The elderly, more than any other age group, are particularly vulnerable to the ravages of inflation. Their expenditures for basic needs and necessities are concentrated in areas where some of the sharpest price increases have occurred—housing, fuel, food and medical care. The majority of them, while unable to supplement their limited and fixed incomes with employment income, must watch as their meager retirement savings or investments are eroded away.

Under current law, social security and Supplemental Security Income benefits are automatically adjusted every July to reflect increases in the CPI which occur during the previous January through December period. Our Associations do not believe this automatic adjustment is adequate or timely enough to prevent a gradual erosion in benefit purchasing power particularly during periods of rapid inflation. A significant lag time exists between the measuring period (during which prices are actually rising) and the adjustment made in benefits.

Your amendment to improve the cost-of-living mechanism directly addresses this problem by substantially reducing the lag time between benefit adjustments and measuring periods. More importantly, your amendment would provide adjustments twice a year (in July and January) during periods when the CPI increases by an annual rate in excess of 6 percent. It therefore has our full and complete support.

Sincerely,

PETER W. HUGHES,
Legislative Counsel.

Mr. CHURCH. This amendment is based upon legislation—S. 1243, the Social Security Cost-of-Living Improvement Act—which I introduced earlier this year. That measure generated strong bipartisan support in the Senate. In fact, 44 Senators sponsored S. 1243.

Mr. President, I ask unanimous consent that a list of cosponsors of S. 1243—which would authorize semiannual cost-of-living adjustments for social security beneficiaries—be printed at this point in the RECORD.

There being no objection, the list of co-

sponsors was ordered to be printed in the RECORD, as follows:

SPONSORS OF CHURCH SEMI-ANNUAL COST-OF-LIVING AMENDMENT

Domenici, Clark, Williams, Pell, Stafford, Humphrey, Abourezk, Hatfield, Riegle, Randolph, Stone, McIntyre, Eastland, McGovern, Metcalf, Melcher, Bumpers, Leahy, Cannon, Anderson, and Brooke.

Thurmond, Bayh, Hart, Kennedy, Magnuson, Weicker, Sarbanes, DeConcini, Heinz, Chiles, Case, Jackson, Haskell, Durkin, Javits, Hollings, Percy, Ford, Metzenbaum, Biden, Burdick, and Hathaway.

Mr. CHURCH. Mr. President, for these reasons I urge the adoption of the amendment and reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Nebraska.

Mr. CURTIS. Mr. President, how much time is reserved to the opposition?

The PRESIDING OFFICER. The Senator has 10 minutes.

Mr. CURTIS. Mr. President, I yield myself 7 minutes.

Mr. President, here is an amendment that was brought here by compassion and interest for our elderly, but it is something which should not be adopted. It has far-reaching effects. It has never been before a committee and has never been analyzed. In a moment I will give some figures to show that this could become a costly thing running to \$2 billion a year.

Here is what I want to remind Senators: It has to do with upgrading benefits twice a year instead of once a year. In 1972, a floor amendment was offered by the distinguished Senator from Idaho which, together with the increase in the benefits and that scheduling of automatic raises, brought about the very deficit that we have now. It was a matter not thrashed out in the committee. I commend the distinguished Senator for his interest in the elderly, but I believe the right way is to take this up in committee.

I find, after reviewing the material which the distinguished Senator from Idaho has provided me concerning his amendment, that I must rise in opposition.

By the very cost estimates included in that documentation, we find there is a long-range cost estimated of 0.03 percent of taxable payroll. Taxable payroll currently is running slightly over \$800 billion this year. Over the next 75 years, however, taxable payroll will average approximately \$6.4 trillion, a tenfold increase in 75 years. That means the long-range cost of this measure would be—using the Senator from Idaho's own figures—approximately \$2 billion per year.

However, even this estimate is premised upon the intermediate assumptions of the Social Security Administration, and I have been advised that the actual rate of inflation being used is an average of 4 percent over the next 75 years. 4 percent inflation per year. Mr. President, we do not know what the inflation rate will be over that period of time. We do not know where it will be even 10 years from now. We have just finished a period of double-digit inflation, and if that kind of thing recurs the costs of the

Church amendment would be much higher than what these estimates tell us.

Moreover, Mr. President, I believe that the 0.03-percent estimate, and the 4-percent inflation rate, does not take into account the inflationary fuel that would be added by the very provisions being suggested by the Senator from Idaho. They are based upon current assumptions, not what the rate of inflation is likely to be if important programs like social security are indexed every 6 months, even for limited periods.

Finally, Mr. President, the cost estimates presented at this point do not appear to take into account the very real accompanying cost that will be involved for supplemental security income (SSI) and the railroad retirement program. Each of these has indexing formulas that are tied to social security.

For these reasons, Mr. President, I believe the amendment offered by the Senator from Idaho should be considered thoroughly in the Committee on Finance, where it has not even had the benefit of a hearing. We have never considered it; we have never analyzed it. We have had some experience with an amendment of this nature offered by the Senator before, which created a significant portion of the financing problem social security is now experiencing. I would trust, and I would urge, that the Senate be more careful this time, and I would call for consideration by the Committee on Finance of an amendment of this magnitude by the committee before it is hastily acted upon on the floor.

Mr. President, I hope that every Senator will consider the fact that we cannot recommit this amendment to the committee. If we could, that would be my move. Everyone dislikes to oppose an amendment and be in opposition. A vote of "no" must be regarded not as rejecting the good intentions of this amendment, but as the only means to have this far-reaching amendment be subject to a hearing and an examination.

Mr. President, the Committee on Finance does not always come up with the right answer. I am aware of that. But in the field of social security, our most costly amendments, those amendments that are not fully financed, usually come from the floor. That does not mean that the members of our committee are any more capable than anybody else, but it does prove that the system of committees holding hearings—announcing to the public what is going on, having the proponents come before it, cross-examination carried on by the committee members, the opposition appearing—is the right way to legislate.

I concede that the distinguished Senator from Idaho has excellent motives. His knowledge is just as good as that of any of the rest of us. But the procedure is lacking, the procedure for an open hearing before we start out on a program that could, very likely, cost as much as \$2 billion a year.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER (Mr. CHILES). Who yields time?

Mr. CHURCH. Mr. President, in reply

to the distinguished Senator from Nebraska, I really do not believe that this amendment could ever have the far-reaching impact that he foresees as a possibility. I think it is a very modest amendment. It only seeks to do for social security beneficiaries what we do for civil service retirees and military retirees, except in this case, the semiannual adjustment would occur only in years of accelerated inflation.

How often in the past 25 years would this amendment have been triggered by an annual rate of inflation of 8.2 percent? Our figures show that only four times in the last quarter of a century would it have been necessary to have given a semiannual adjustment by virtue of the severity of inflation.

In all likelihood, there will be infrequent occasions in the future when it will be necessary to make this 6-month, rather than the annual, adjustment in social security benefits. But when we do have steep inflation, then common justice requires that those who live on the most limited income, the elderly of this country, should have at least the same protection now available to civil service annuitants and military retirees.

As to our estimate on cost, Mr. President, we have estimated that the long-short-term cost projected because there cent of the taxable payroll. There is no short-term cost projected because there is no anticipated near-term period when the trigger mechanism would invoke the semiannual provision.

The figures have been given to us by Harry C. Ballantyne, who is an actuary for the social security system. It is my understanding that Robert Myers, the former actuary, actually thinks that these estimates are on the high side, modest as they are.

So, Mr. President, I hope that the Senate will adopt this amendment. It will not prove costly, in my estimation. Moreover, it will do justice to the elderly. I urge the Senate's support.

Mr. HARRY F. BYRD, JR. Will the Senator yield?

Mr. CHURCH. I am delighted to yield.

Mr. HARRY F. BYRD, JR. What is the triggering mechanism that the Senator refers to?

Mr. CHURCH. The triggering mechanism is an inflationary rate of 4 percent or more within a 6-month period. When those 6-month rates are compounded one on top of another, that amounts to an annual inflationary rate of 8.2 percent.

Mr. HARRY F. BYRD, JR. The Senator said 4 percent; then he said 8 percent.

Mr. CHURCH. Four percent is for a 6-month period; 8.2 percent is for an annual period.

Mr. HARRY F. BYRD, JR. So the triggering mechanism would be any time in a 6-month period that inflation exceeds 4 percent.

Mr. CHURCH. That is correct.

Mr. HARRY F. BYRD, JR. And if it is below 4 percent, there is no change.

Mr. CHURCH. There is no change. The annual adjustment would remain in effect.

Mr. HARRY F. BYRD, JR. I thank the Senator.

The PRESIDING OFFICER. Who yields time?

Mr. CURTIS. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator from Kansas has 3 minutes remaining.

Mr. CURTIS. How much does the Senator from Nebraska have?

The PRESIDING OFFICER. The Senator from Nebraska has 3 minutes.

Mr. CURTIS. Mr. President, is there an industrial nation in the world that has inflation under control? Stagnation inflation and a depression.

Now, if this is such a good amendment, why not give it a hearing?

There was an argument just like this back in 1972 for automatically upgrading approximately a 20-percent increase in benefits without a proper increase in taxes. That has caused the newspapers and the air to fill with comments that the system is bankrupt, and all sorts of things that frighten people.

I say that if you are a friend of the aged, do everything you can to keep the social security fund out of trouble. A vote of "no" is a vote in favor of the aged and the younger people who are still paying the bill.

Many times recently we have had double digit inflation—a worldwide situation.

Furthermore, this Congress is not going to lose all its compassion. They can act every year. Unfortunately for the country, they are in session most of the time. So they can act quickly.

Mr. President, I reserve the remainder of my time.

The PRESIDING OFFICER. The Senator from Idaho.

Mr. CHURCH. Mr. President, how much time do I have remaining?

The PRESIDING OFFICER. The Senator has 1 minute.

Mr. CHURCH. Mr. President, I think that the answer to the argument made by the distinguished Senator from Nebraska is simply this: if we mismanage our economy so badly that we get back into double-digit inflation, then we ought not to extract the cost of that inflation from the elderly.

We must find the discipline, and we must find the remedy for inflation in our general spending and fiscal policies. But if we manage so badly to have double-digit inflation, then we must provide relief to older Americans or terrible suffering will result.

This amendment would only be triggered in those years when inflation is well above the average for people who depend upon social security for the bulk of their retirement income.

Therefore, I hope this amendment will be adopted.

Mr. CURTIS. Mr. President, again I repeat that the friends of the elderly and the friends of the people who are working and paying social security taxes should vote "no" on this amendment.

Can one imagine the heartache over the country and the uneasiness about "Will I get my social security?"

We do not have to leave the radio on very long to find commentators—they are exaggerating, they do not know what

they are talking about—that are frightening the people. They do not tell them we are taking in \$82 billion and running over \$6 billion and we have the problem already dealt with. They say it is bankrupt.

Well, from one standpoint, that may be true, but it is operating as it always has from the taxes from people who work to pay the beneficiaries. That is what social security is. It has never been a reserve annuity program.

A vote of "no" is a vote to protect the funds that belong to the aged of this country.

Mr. WILLIAMS. Mr. President, I wish to join the distinguished chairman of the Senate Special Committee on Aging (Mr. Church) in proposing an amendment to the social security financing bill to authorize semiannual cost-of-living increases in social security benefits.

As former chairman of the Aging Committee, I have been deeply concerned about the devastating effects of inflation on our elderly citizens. Rising prices compel many of the aged living on fixed incomes to face increasingly difficult choices in allocating their limited resources. Expenses for basic needs—food, housing, fuel and health care—have increased at a greater rate than all other items in the Consumer Price Index by 29 to 43 percent. For the substantial number of elderly citizens who depend solely on their social security benefits, high inflation rates place a crushing burden on their budgets.

It is therefore essential that we take immediate steps to alleviate this situation. The amendment we are proposing would authorize cost-of-living adjustments in July and January if the Consumer Price Index increased by at least 4 percent in a 6-month measurement period. If the Consumer Price Index does increase by this percentage within the appropriate period, social security beneficiaries would receive a cost-of-living adjustment when the Index increased by at least 3 percent, as under present law.

Thus, this amendment would protect the elderly during periods of high inflation. Since it is unlikely, however, that prices will rise by more than 8 percent every year, in most years beneficiaries would only receive one cost-of-living adjustment. In the past 25 years, there have been only 4 times where prices rose by 4 percent or more in the 6-month measurement periods specified in this amendment—August to February and February to August. Thus, the long-range cost of this amendment is expected to be slight. It is anticipated that the cost will be .03 percent of taxable payroll. It therefore will be necessary to raise taxes beyond the levels set by the Finance Committee.

Mr. President, it is time that we attempt to deal realistically with the debilitating effects of inflation on a group of citizens least able to cope with this burden. For this reason, I urge a favorable decision on this amendment.

Mr. CHURCH. Mr. President, earlier this afternoon I included a table from the Social Security Administration which pointed out that the Goldwater amendment was about \$2 billion more

expensive per year than my amendment to reduce the upper age from 72 to 70 for application of the retirement test.

This table was based on the understanding that the Goldwater amendment raised the earnings limitation for all social security beneficiaries to \$4,500 a year in 1978, and to \$6,000 in 1979, and that, in 1982, the earnings ceiling would be abolished entirely for persons 65 or older.

The final version of Senator Goldwater's amendment, however, increased the earnings limitation only for persons aged 65 through 71 to \$4,000 a year in 1978, \$4,500 in 1979, \$5,000 in 1980, and \$5,500 in 1981. In 1982 the retirement test would be repealed for persons 65 or older. This measure is based upon the House-passed provisions affecting the retirement tests exempted amounts.

Mr. President, I ask unanimous consent to insert in the Record a table comparing the additional cost of the Goldwater amendment, as submitted, to the Church amendment and the Finance Committee bill.

This table reveals that in 1982—the year the Goldwater amendment would have repealed the retirement test for persons 65 or older—the added cost of the Goldwater amendment, compared with the Church amendment, would be \$400 million, increasing to \$600 million a year from 1983 to 1987.

There being no objection, the table was ordered to be printed in the Record, as follows:

COST OF GOLDWATER AMENDMENT AND CHURCH AMENDMENT AS COMPARED TO THE COST OF THE SENATE FINANCE COMMITTEE BILL

(In billions of dollars)			
Calendar year	Committee bill	Goldwater amendment	Additional cost
1978.....	0.8	0.3	-0.5
1979.....	2.0	.5	-1.5
1980.....	2.4	.6	-1.8
1981.....	2.5	.6	-1.9
1982.....	2.6	3.4	+ .8
1983.....	2.7	3.7	+1.0
1984.....	2.8	3.8	+1.0
1985.....	2.9	3.9	+1.0
1986.....	3.0	4.0	+1.0
1987.....	3.1	4.1	+1.0
Church amendment			
1978.....	.8	0.8	.....
1979.....	2.0	2.0	.....
1980.....	2.4	2.4	.....
1981.....	2.5	2.5	.....
1982.....	2.6	3.0	+ .4
1983.....	2.7	3.1	+ .4
1984.....	2.8	3.2	+ .4
1985.....	2.9	3.3	+ .4
1986.....	3.0	3.4	+ .4
1987.....	3.1	3.5	+ .4

Mr. CLARK. Mr. President, Senators Church, Domenici, and I are joined by 40 cosponsors in offering an amendment today that would provide relief during periods of rampant inflation to the millions of Americans who depend on the social security system for their income.

Basically, this amendment would adjust benefits for inflation on a semiannual basis, when the cost of living goes up more than 4 percent over a 6-month period. At the present time, adjustments are made just once a year, forcing older Americans and other social security ben-

eficiaries to wait as many as 12 months before they receive financial relief.

We know that two items alone—food and medical care—account for one-third of the household expenses for retired persons. We also know that the prices of these items have inflated substantially over the past several years, placing a great burden on senior citizens living on fixed incomes.

Each day, older Iowans write me about the overwhelming problems they are facing in meeting their ever-increasing expenses. They simply cannot wait a year until social security benefits reflect the inflation they encounter every week in the grocery store and at the doctor's office.

To reduce the hardship during periods of high inflation, our amendment would instruct the Social Security Administration to make cost-of-living adjustments semiannually when the Consumer Price Index rises by at least 4 percent over a 6-month period. These increases would occur in July, accounting for inflation from August to February, and in January, covering the inflation from February to August.

This amendment would not alter the existing cost-of-living provision that applies to the annual inflation rate. When inflation does not increase by 4 percent in 6 months, beneficiaries would still receive a yearly adjustment in July as long as the cost of living rose 3 percent over the previous year.

The Social Security Administration's Board of Trustees has informed us that this amendment would have virtually no cost impact on the social security system. The long range cost would amount to no more than 0.015 percent for employers and employees. Using the Board of Trustees' assumptions for inflation for the next 5 years, there would be no short-term cost.

While the immediate responsibility of Congress is to restore balance to the social security trust funds, we must not ignore our responsibility for insuring that the OASDI program truly provides "social security" to those who depend on it. We should note that the income problems for older Americans are affecting an ever-growing proportion of this Nation. In fact, by the end of this century, nearly one out of every six Americans will be a senior citizen.

We should also not forget that there are about 7 million low-income older Americans among us, representing 1 of every 3 Americans 65 years or older. These are the very people who are inflation's greatest victim, and to whom we are obligated to cushion the impact of rising prices.

Nearly all elderly individuals rely on the social security program, which provides about half of all income for aged persons living alone. Because of this heavy dependence of older Americans upon the social security programs and other fixed income programs, every effort should be made to insure that benefits are adjusted for increases in the cost of living.

I urge the Senate and the House of Representatives to accept this amend-

ment. It would instill in older Americans a greater sense of financial security and would help restore their trust in the social security program and in the Federal Government.

The PRESIDING OFFICER. All time on the amendment has expired.

The question is on agreeing to the unprinted amendment No. 1062. The yeas and nays have been ordered and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Mississippi (Mr. EASTLAND), the Senator from Kentucky (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from Montana (Mr. METCALF), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Nebraska (Mr. ZORINSKY) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "yea."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Massachusetts (Mr. BROOKE), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT), is absent on official business.

I further announce that, if present and voting, the Senator from Alaska (Mr. STEVENS) would vote "yea."

On this vote, the Senator from Oregon (Mr. HATFIELD) is paired with the Senator from North Carolina (Mr. HELMS).

If present and voting, the Senator from Oregon would vote "yea" and the Senator from North Carolina would vote "nay."

The result was announced—yeas 50, nays 21, as follows:

[Rollcall Vote No. 627 Leg.]

YEAS—50

Allen	Clark	Hart
Anderson	Cranston	Haackell
Bayh	Culver	Hathaway
Bumpers	Danforth	Helms
Burdick	Domenici	Hollings
Byrd, Robert C.	Durkin	Inouye
Case	Ford	Jackson
Chiles	Glenn	Javits
Church	Gravel	Kennedy

Leahy
Magnuson
Matunaga
McGovern
McIntyre
Melcher
Metzenbaum
Moynihan

Nelson
Packwood
Pell
Proxmire
Randolph
Riegle
Roth
Sarbanes

Schmitt
Schwicker
Stevenson
Stone
Thurmond
Williams
Young

NAYS—21

Baker
Bellmon
Byrd,
Harry F., Jr.
Chafee
Curtis
Dole
Eagleton

Garn
Griffin
Hansen
Laxalt
Long
Lugar
Mathias
McClure

Nunn
Stafford
Stennis
Talmadge
Tower
Wallop

NOT VOTING—29

Abourezk
Bartlett
Bentsen
Biden
Brooke
Cannon
DeConcini
Eastland
Goldwater
Hatch

Hatfield
Hayakawa
Helms
Huddleston
Humphrey
Johnston
McClellan
Metcalf
Morgan
Muskie

Pearson
Percy
Ribicoff
Sasser
Scott
Sparkman
Stevens
Weicker
Zorinsky

So Mr. CHURCH's amendment (No. 1062) was agreed to.

Mr. CHURCH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. LONG. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. WILLIAMS addressed the Chair.

The PRESIDING OFFICER. The Senator from Alabama is to be recognized. Does the Senator from Alabama yield to the Senator from New Jersey?

Mr. ALLEN. I yield.

Mr. WILLIAMS. I thank the Senator from Alabama.

UP AMENDMENT NO. 1063

(Purpose: Relating to coverage under divided retirement system for State and local employees in New Jersey.)

Mr. WILLIAMS. Mr. President, I have an amendment at the desk and ask that it be stated.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from New Jersey (Mr. WILLIAMS), for himself and Mr. CASE, proposes an unprinted amendment numbered 1063.

Mr. WILLIAMS. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the Act, insert the following new section:

COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR PUBLIC EMPLOYEES IN NEW JERSEY

Sec. . Section 218(d) (6) (C) of the Social Security Act is amended by inserting "New Jersey," after "Nevada,".

Mr. WILLIAMS. Mr. President, today I join the distinguished senior Senator from New Jersey in introducing an amendment to the social security financing bill.

This amendment would add the State of New Jersey to the list of 20 States which now allow public employees to obtain social security coverage under the divided retirement system provision of the Social Security Act. Under this pro-

vision, a State has the option to extend social security coverage to public employees who elect to receive such coverage.

An identical provision was adopted by the Senate as an amendment to H.R. 3153 in the 93d Congress. Unfortunately, this provision was not finally approved because the conference committee never completed action on this bill. This amendment I offer today recently passed the House in H.R. 9346, the social security financing bill.

Last year, I received over 5,000 signed letters from the Essex County Board of Education Employees Pension Fund advocating the extension of social security benefits to workers and officials throughout Essex County. These letters indicate what I believe to be abundant support for this proposal.

Mr. President, this measure would help to shore up the social security funds as well as extend desired coverage to public employees in New Jersey. A substantial group of my constituents have waited a number of years for this change, and I am hopeful that the Senate will approve this amendment.

This amendment would add the State of New Jersey to the list of 20 States which now allow public employees to obtain social security coverage under the divided retirement system provision of the Social Security Act.

Under this provision, a State has the option to extend social security coverage to public employees who elect to receive such coverage.

New employees would automatically be covered under the social security system.

An identical provision was adopted by the Senate as an amendment to H.R. 3153 in the 93d Congress.

Unfortunately, this provision was not finally approved because the conference committee never completed action on this bill.

This amendment I offer today recently passed the House in H.R. 9346, the social security financing bill.

Last year, I received over 5,000 signed letters from the Essex County Board of Education Employees Pension Fund advocating the extension of social security benefits to workers and officials throughout Essex County.

These letters indicate what I believe to be abundant support for this proposal.

Mr. President, this measure would help to shore up the social security trust funds as well as extend desired coverage to public employees in New Jersey.

A substantial group of my constituents have waited a number of years for this change, and I am hopeful that the Senate will approve this amendment.

Mr. LONG. Mr. President, we accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment.

The amendment was agreed to.

Mr. LONG. Mr. President, when the Senator from Idaho (Mr. CHURCH) offered his amendment to reduce the upper age limit of the retirement test from 72 to 70, he said that his amendment was a substitute for the Goldwater amendment. This had the effect of striking the Finance Committee language raising the

retirement test in two steps to \$6,000 in 1979. Senator CAVACH did not intend to strike this language in the Finance Committee bill. In fact, his accompanying statement indicated that his amendment would not change the Finance Committee provisions to raise the social security earnings limitation to \$6,000 a year in 1979.

Therefore, I ask unanimous consent that the language in H.R. 9346 from page 47, line 1, to page 48, line 12, stricken by the Goldwater amendment, as amended, be restored to the bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

AMENDMENT NO. 1019

Mr. ALLEN. Mr. President, I have two amendments, and I do not intend to ask for a rollcall on either.

I call up at this time amendment No. 1619.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Alabama (Mr. ALLEN) proposes an unprinted amendment numbered 1619.

Mr. ALLEN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill add the following new section:

Sec. . . There is hereby allowed to each individual taxpayer, who has paid social security taxes as an employee, as a deduction from income subject to Federal income taxes an amount equal to 50 per centum of all social security taxes paid by such taxpayer in the calendar year 1979 and subsequent years, such deduction to be claimed on the taxpayer's return for the year in which such social security taxes are paid. Self-employed taxpayers may deduct 50 per centum of that portion of social security taxes paid by them that they would have paid on their earnings if they had been employees.

Mr. ALLEN. Mr. President, as we all know, social security taxes on the employees are not deductible against income tax by the employees.

Here we are adding by this bill on employers and employees over the 5-year period some \$72 billion. The purpose of this amendment is to provide that 50 percent of the amount that employees pay as social security shall be deductible against income subject to Federal income taxes.

The employer, if it is a profitmaking concern, a business concern, that is not a nonprofit organization or eleemosynary institution or university, is allowed to deduct all of its social security payments on its employees. And this would permit employees to deduct 50 percent of the amount that they pay in social security. It would not be a credit. It would be merely a deduction.

Assume that an employee paid \$1,000 in social security taxes. He would be able to deduct from income subject to Federal income tax 50 percent of that amount or \$500. That would be allowed as a deduction against income.

The Joint Committee on Taxation

staff, subsequent to the introduction of the amendment, had furnished figures showing that this cost in the year 1980 would be \$7.9 billion and going up from there as more social security taxes were paid. Obviously, that would be a very heavy load on the Treasury.

I hope that the manager of the bill could take the amendment and scale the 50 percent down in conference. I do not ask for a rollcall, and I do not care to make any further remarks with respect to the amendment.

Mr. LONG. Mr. President, this amendment would impose a tremendous burden on the budget. For example, this bill is estimated in 1980 to raise \$8.5 billion for the social security fund. But the amendment the Senator offers would cost us \$7.9 billion. So we would only have a net gainer of \$600 million if the amendment is adopted. It would not burden the social security fund, but it would cause us to lose almost as much in general funds as we pick up in social security taxes. The cost would go on up to where in 1986 it would be \$15.8 billion. Over the period between 1980 and 1986 the cost of the amendment would be \$80.6 billion.

I do not think the Senate wants to agree on something like that without giving a great deal of thought to it.

I would have to urge that the Senate not agree to this amendment.

Mr. NELSON. Mr. President, will the Senator yield?

Mr. LONG. I yield.

Mr. NELSON. The amendment has a great deal of appeal, but it is highly involved.

If we do this on social security taxes, it will follow the Senate is likely to do it with reference to the deduction for civil service retirement. We should also keep in mind that social security benefits are nontaxable.

It is quite unlikely that the program could go on giving a tax benefit for paying in and retaining the tax free benefit that the beneficiary receives when he gets his retirement.

I remind the Senator that the authority to make it tax free is not statutory. It is by regulation and could be changed any time, and I do not know how much this would cost.

Mr. LONG. The cost of this amendment would be as much or more than the bill would raise. In the year 1983 the bill would raise \$11.5 billion. In that same year the cost of this amendment would be \$19.3 billion. In other words, the cost of this amendment would exceed what the bill would raise by \$8 billion in 1983.

So while the Senator has a thought that should be explored, I hope that we not get involved in it at this point tonight on this bill.

Mr. CURTIS. Mr. President, I just say this: It is the floor amendments that are jeopardizing the social security fund. We have been fighting here over amendments how to recoup the deficiency in the social security fund. On the Church amendment we just repeated the matter. It should have been heard before the committee. This should be, also.

These things are complicated. They cost more than it seems like, and we cannot accept these amendments on the basis of appeal that they have. It is a matter of dollars and cents, and we either protect the fund for the benefit of all the people of the country or we do not.

Mr. LONG. Let us vote.

The PRESIDING OFFICER. The question is on agreeing to the amendment. (Putting the question.)

The PRESIDING OFFICER. The "nays" appear to have it. The "nays" have it.

The amendment was rejected.

UP AMENDMENT NO. 1064

Mr. ALLEN. Mr. President, I send another amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Alabama (Mr. ALLEN) proposes unprinted amendment No. 1064.

Mr. ALLEN. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

At the end of the bill, add the following new section:

Sec. . . (a) That, notwithstanding any other provision of law, the Secretary of Health, Education, and Welfare is authorized and directed to pay to each State an amount equal to the amount expended by such State for erroneous supplemental payments to aged, blind, or disabled individuals whenever, and to the extent to which, the Secretary through an audit by HEW determines that—

(1) such amount was paid by such State as a supplemental payment during the calendar year 1974 pursuant to an agreement between the State and the Secretary required by section 212 of the Act entitled "An Act to extend the Renegotiation Act of 1951 for one year, and for other purposes," approved July 9, 1973, or such amount was paid by such State as an optional State supplementation, as defined in section 1616 of the Social Security Act, during the calendar year 1974.

(2) the erroneous payments were the result of good faith reliance by such State upon erroneous or incomplete information supplied by the Department of Health, Education, and Welfare, through the State data exchange, or good faith reliance upon incorrect payments made by such department, and

(3) recovery of the erroneous payments by such State would be impossible or unreasonable.

(b) There are authorized to be appropriated such sums as are necessary to carry out the provisions of this Act.

Mr. ALLEN. Mr. President, the amounts we have estimated for each category of error are based upon our projections of results obtained from our review of a sample of 351 cases. Hence, the amounts estimated should not be considered precise. In fact, the total of all of our projections is about \$76,746 less than the amount (\$1,204,861) of the claim submitted by the State of Alabama. Statistically this variance is considered small when the results of such a sample, (351) is projected. While the precision of our total sample is plus or minus \$153,950 or about 12.7 percent, the

precision of the various categories of error is not that precise. For example, the sample precision for the \$557,920 of overpayments attributable to the SSA is plus or minus \$122,714.

Nevertheless, we believe that our estimates are statistically reliable, that the State has a valid claim for about \$600,000, and that our estimates may be used as a basis for negotiating a settlement of the State's claim. Consequently, we recommend them for that purpose.

The situation is that the State of Alabama and some 16 other States, none having the stake in it that Alabama has, acting on information furnished by the Department of HEW, made excess payments to SSI recipients. They have sought to negotiate with HEW for the loss sustained by this misinformation furnished by HEW. An audit was made by HEW itself of the claim which at that time on behalf of the State of Alabama was \$1.2 million, and the audit for identification purposes—I am not going to ask that the entire audit be placed in the Record because it is over 30 pages long—but I identify the audit by stating that it is HEW Audit Agency Region IV, Audit Control No. 04-62305.

The conclusion of the audit is that on page 11 we believe—

Mr. LONG. Mr. President, will the Senator yield at that point?

Mr. ALLEN. I yield.

Mr. LONG. How much is involved in the audits and the settlement with the States involving the Senator's amendment?

Mr. ALLEN. \$600,000.

Mr. LONG. Does the Senator mean the entire amount or only the amount for Alabama?

Mr. ALLEN. Alabama is only one of that large amount. I believe the next largest is \$83,000. There is less than \$1 million involved. Kentucky is one of the States. I have a list of the States here.

Mr. LONG. What is the amount involved for all the States involved in the amendment?

Mr. ALLEN. Less than \$1 million.

Mr. LONG. Mr. President, I believe the amendment should be considered in conference and I hope the Senate will agree to it.

Mr. ALLEN. I hope the Senator would not assign to this amendment that classification that it be an amendment that is going to be considered in conference.

Mr. LONG. My understanding is that the department does not oppose the amendment; is that correct?

Mr. ALLEN. They state they do not have authority without this legislation being passed.

Mr. LONG. I am not aware that the department opposes it. They feel it should be paid, but they say they do not have the authority the Senator seeks to provide.

Mr. ALLEN. That is correct.

I was trying to read from the audit itself where it is stated:

We believe that our estimates are statistically reliable; that the State has a valid claim for about \$600,000, and that our estimates may be used as a basis for negotiating a settlement of the State's claim. Conse-

quently, we recommend them for that purpose.

Mr. LONG. Well, Mr. President, I believe the amendment is meritorious and, of course, we will hear from the administration, and they can state their position in conference.

It is my impression that this is a meritorious amendment. It involves a claim the States have, and insofar as I am able to determine, these are claims that ought to be paid. I would like to see it accepted so we can take it to conference.

Mr. ALLEN. Yes. I will furnish the distinguished Senator a copy of the audit for use in the conference.

Mr. LONG. If the administration concurs when we have the administration witnesses before us in conference that the amendment has the merits the Senator says it has—and I have no reason to believe they would not—then I think the House would be willing to accept it.

Mr. ALLEN. I thank the distinguished Senator.

Mr. HANSEN. Mr. President, I have just glanced at the amendment, and I am not certain I understand completely what it does, but with the understanding that it will be limited in its application and will not be unduly expensive, I will not raise any objection. I do think we want to look at it very closely in conference, I will say to the chairman, the floor manager of the bill.

Mr. ALLEN. The State of Alabama's claim is only \$600,000. Other States have—

Mr. HANSEN. With that understanding, I have no objection.

Mr. ALLEN. I think it drops down to \$83,000 below that.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Alabama.

The amendment was agreed to.

UP AMENDMENT NO. 1065

(Purpose: To provide for an authorization of appropriations for the amount by which the tax on States and nonprofit organizations is reduced.)

Mr. DANFORTH. Mr. President, I send an amendment to the desk and ask for its immediate consideration, and I ask that the clerk read the amendment in its entirety.

The PRESIDING OFFICER. There is a 10-minute time limit on this amendment, 5 minutes to a side.

The clerk will report.

The assistant legislative clerk read as follows:

The Senator from Missouri (Mr. DANFORTH) proposes an unprinted amendment numbered 1065:

At the end of section 106, insert the following:

(c) There are authorized to be appropriated to the Federal Old-Age and Survivors Trust Fund and the Federal Hospital Insurance Trust Fund for each fiscal year amounts equivalent to the amounts which would have been deposited in such trust funds during that fiscal year but for the amendments made by this section.

Mr. DANFORTH. Mr. President, I ask for the yeas and nays of this amendment.

The PRESIDING OFFICER. Is there a sufficient second? There is not a sufficient second.

Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

Mr. DANFORTH. Mr. President, I do think this amendment poses an important question that should be determined by a rollcall vote. The Senate will remember that this morning it adopted an amendment which I offered which would amount to a rate reduction for non-profit employers and for State and local governments. That amendment was the second version of an original proposal I had which would have provided that this group of employers would have paid in the full amount to the social security trust fund and then recouped 10 percent of their social security liability from the Treasury by means of a refundable tax credit.

The proposal ran into some problems with the Budget Committee and with the Budget Act and, therefore, I transformed it into a simple rate reduction.

But as a result of that there will be a shortfall amounting to in the neighborhood of \$1 billion to \$2 billion a year which otherwise would go into the social security trust fund.

This amendment would authorize appropriations in the amount of those shortfalls into the trust fund.

It could be argued that this amounts to an infusion of general revenues into social security and, for that reason, I call it to the Senate's attention.

However, I would point out the fact that what it actually amounts to in practicality is an offset from general revenues of social security liability which would otherwise be incurred by this class of employers.

The way the tax laws work now for a profitmaking employer there is such an offset; that is, when a profitmaking employer pays his social security tax he recoups, in the case of a corporation, 48 percent of the social security tax from the Treasury by virtue of the fact that he will receive a deduction from his Federal income tax in the amount of the social security tax paid.

The original purpose of my concept of a refundable tax credit was to provide something of the same, although to a limited extent, for not-for-profit and for governmental employers.

It is my understanding that this amendment is acceptable to the leadership of the Committee on Finance and is also supported by the administration.

Mr. LONG. Mr. President, as the Senator stated, in view of the Senate's concurrence with the Danforth amendment we believe the Senator from Missouri is doing the responsible thing in moving for an authorization for appropriations from the general fund to the social security fund to cover the costs of the previous Danforth amendment.

I can only applaud him for offering the amendment since he was precluded from doing what he is seeking to do by way of a refundable tax credit. So I personally will vote for the amendment. Anyone who wants to oppose it I would

be glad to yield time to speak in opposition.

Mr. DANFORTH. How much more time do I have?

The PRESIDING OFFICER. The Senator has 1 minute remaining.

Mr. DANFORTH. I will yield 1 minute to the Senator from Kansas.

Mr. DOLE. Mr. President, I applaud the distinguished Senator from Missouri for his first amendment. I cannot applaud him as loudly for his second amendment. I know it may seem inconsistent, and it may be, but what we are doing, as a matter of principle may I say to this body, is we are dipping into general revenues to pay for certain social security benefits even though they may be indirect in this case, and I trust the Members of the Senate understand that when they vote.

Mr. LONG. Mr. President, if there are no more requests for time, I yield back the remainder of my time.

The PRESIDING OFFICER. The Senator yields back his time. All time being used, the question is on agreeing to the amendment of the Senator from Missouri. The yeas and nays have been ordered, and the clerk will call the roll.

The second assistant legislative clerk called the roll.

(Mr. FORD assumed the chair and was succeeded by Mr. MELCHER).

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DECONCINI), the Senator from Mississippi (Mr. EASTLAND), the Senator from Colorado (Mr. HART), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from Montana (Mr. METCALF), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), and the Senator from Nebraska (Mr. ZORINSKY) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

On this vote, the Senator from Connecticut (Mr. RIBICOFF) is paired with the Senator from North Carolina (Mr. MORGAN). If present and voting, the Senator from Connecticut would vote "yea" and the Senator from North Carolina would vote "nay."

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "yea."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Massachusetts (Mr. BROOKE), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the

Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD), the Senator from North Carolina (Mr. HELMS), and the Senator from Alaska (Mr. STEVENS) would vote "yea."

The result was announced—yeas 44, nays 26, as follows:

[Rollcall Vote No. 628 Leg.]

YEAS—44

Anderson	Haskell	Packwood
Baker	Heinz	Pell
Bayh	Hollings	Randolph
Bumpers	Inouye	Riegle
Case	Jackson	Roth
Chafee	Javits	Sarbanes
Clark	Kennedy	Schmitt
Cranston	Laxalt	Stafford
Curtis	Long	Stevenson
Danforth	Lugar	Stone
Domenici	Mathias	Talmadge
Eagleton	Matsunaga	Tower
Ford	McGovern	Wallop
Garn	McIntyre	Williams
Gravel	Moynihan	

NAYS—26

Allen	Dole	Melcher
Bellmon	Durkin	Metzenbaum
Burdick	Glenn	Nelson
Byrd	Griffin	Nunn
Harry F. Jr.	Hansen	Proxmire
Byrd, Robert C.	Hathaway	Schweiker
Chiles	Leahy	Stennis
Church	Magnuson	Thurmond
Culver	McClure	Young

NOT VOTING—30

Abourezk	Hatch	Muskie
Bartlett	Hatfield	Pearson
Bentsen	Hayakawa	Percy
Biden	Helms	Ribicoff
Brooke	Huddleston	Sasser
Cannon	Humphrey	Scott
DeConcini	Johnston	Sparkman
Eastland	McClellan	Stevens
Goldwater	Metcalf	Weicker
Hart	Morgan	Zorinsky

So Mr. DANFORTH's amendment was agreed to.

Mr. DANFORTH. Mr. President, I move to reconsider the vote by which the amendment was agreed to.

Mr. WALLOP. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

**SOCIAL SECURITY FINANCING
AMENDMENTS OF 1977**

The Senate continued with the consideration of H.R. 9346.

The PRESIDING OFFICER. The Senator from New York is recognized.

AMENDMENT NO. 1550

(Purpose: Relating to 6-month extension of Emergency Unemployment Compensation Act of 1974.)

Mr. JAVITS. Mr. President, on behalf of myself and Senators HEINZ, CASE, RIEGLE, CHAFEE, PELL, STEVENS, and WILLIAMS. I call up amendment No. 1550.

The **PRESIDING OFFICER**. The amendment will be stated.

The legislative clerk read as follows:

The Senator from New York (Mr. JAVITS), for himself and Senators HEINZ, CASE, RIEGLE, CHAFFE, PELL, SKEVENS and WILLIAMS, proposes an amendment numbered 1550.

Mr. JAVITS. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with.

The **PRESIDING OFFICER**. Without objection, it is so ordered.

The amendment is as follows:

At the appropriate place in the Act, insert the following new section:

SIX-MONTH EXTENSION OF EMERGENCY COMPENSATION PROGRAM

SEC. . (a) Section 102(f) (2) of the Emergency Unemployment Compensation Act of 1974 is amended to read as follows:

"(2) No emergency compensation shall be payable to any individual under an agreement entered into under this Act for any week ending after April 30, 1978."

(b) The amendment made by subsection (a) shall apply to weeks of unemployment ending after October 31, 1977.

The **PRESIDING OFFICER**. There is a 40-minute time limit.

Mr. JAVITS. I yield myself 5 minutes.

The **PRESIDING OFFICER**. The Senator from New York.

Mr. JAVITS. Mr. President, this amendment proposes that the Federal supplemental benefits program providing additional unemployment compensation to long-term unemployed workers who have exhausted their entitlements to benefits under the permanent Federal-State unemployment insurance system be extended for a period of 6 months from its expiration date, which was October 31, 1977, just a few days ago.

In December 1974 the Congress responded quickly and effectively to the jobs crisis by creating the Federal supplemental benefits (FSB) program, providing additional unemployment compensation to long-term unemployed workers who exhausted their entitlements to benefits under the permanent Federal-State unemployment insurance (UI) system. The permanent UI programs include the regular State benefits, usually for a maximum duration of 26 weeks, and the Federal-State extended benefits program, which provides up to 13 additional weeks. Combined, these provide a potential maximum duration of 39 weeks of compensation.

During the deepest part of the recession, specifically from April 1975 to April of this year, the FSB program provided up to 26 weeks of additional benefits, allowing an unemployed worker a maximum potential entitlement of up to 65 weeks of compensation. For the last 6 months, expiring on October 31, 1977, the program has provided a maximum of 13 weeks of additional benefits for a total entitlement of up to 52 weeks.

Mr. President, the unemployment rate is very sticky. It remains at 7 percent, which is close to 7 million unemployed, and in the last months it has varied very little.

The month before it was 6.9 percent. The month before that, 7 percent. The month before that, 7.1 percent.

So we have almost 7 million unemployed, Mr. President, and the number of those who were unemployed for extended periods of time is increasing.

Right now, Mr. President, the persons unemployed for 27 weeks or longer have just increased by 20,000 and they come to 946,000.

The States now suffering high unemployment and participating in FSB are Alaska, Maine, Michigan, New Jersey, New York, Pennsylvania, Rhode Island, Washington, and the Commonwealth of Puerto Rico. Fully one quarter of the U.S. labor force is located in these States.

Over the winter, this list of States is likely to more than double, incorporating more than half of the Nation's workforce, with the addition of California, Illinois, Massachusetts, Oregon, Vermont, Connecticut, Idaho, Montana, Minnesota, Nevada, and North Dakota.

Mr. President, one of the other things which appears very markedly, and I refer to the testimony of Mr. Shiskin, the Commissioner of Labor Statistics, this very morning, who testified to the 7-percent figure, he points out, and I quote:

The unemployment rate has now leveled for 6 months at about 7 percent, an unprecedented high level for an economic expansion period.

He points out, Mr. President, a very serious matter which bears upon this amendment.

He says:

However, the black unemployment rate, and particularly the rate for black adult males, seems to be rising. The employment population ratio for whites rose to an all-time high, while the black ratio continues to fluctuate at historically low levels.

The **PRESIDING OFFICER**. The time of the Senator has expired.

Mr. JAVITS. I yield myself 2 additional minutes.

Mr. President, in view of the impact of these unemployment terms upon the poorest part of our population; to wit, these black adult males—and the continuing fact that we have about 7 million unemployed—nothing has changed since October 31, or since we extended this program for 7 months—it seems to me that before we go home we should at least put on the books, as a standby, this particular extension.

Accordingly, the amendment we propose today would continue FSB for an additional 6 months to April 30, 1978. We can make a judgment again early next year whether this program should be continued further or whether economic circumstances permit its termination.

I wish to remind my colleagues that an extension of this program does not mean that any unemployed worker, no matter what the economic situation, will automatically draw 52 weeks of benefits. The FSB program contains its own State economic trigger which means that it will provide additional benefits only if the unemployment situation remains at severe recessionary level in States which have insured unemployment of 5 percent—generally equivalent to about 7 percent overall unemployment—or more for the preceding 13-week period. If it is not needed, it will not be available. This

brief extension is simply standby insurance against the danger of increased unemployment and the probability that the Congress will not be in session to restore the program again in time for most of the winter of 1977-78.

Although participation in the FSB program had declined in recent months, this apparent lessening of the unemployment crisis cannot be read as an indication that further need for the program has abated. A careful examination of the unemployment data shows just the opposite.

The summer and fall months traditionally show a decline in unemployment rates, but also take an upswing in the late fall and peak in late winter. Even more importantly is the recent rapid escalation of participation in the extended benefits program. As of the last week in August, participation in the extended benefits program—those unemployed for between 26 and 39 weeks—had dropped to 280,000. But, by the first week in October, the latest period for which data are available, that figure had jumped to over 450,000, an increase of 60 percent.

If this trend continues, as many long-term unemployed workers will be relying on additional Federal benefits this year as last year. Participation in the extended benefits program could easily rise to 600,000 or more, equal to the level registered during the energy crisis of last winter. And, during last winter, and the winter before that as well, Federal supplemental benefits were available for a maximum duration of 65 weeks. Even with the extension I am proposing today, the maximum will be for 52 weeks.

The figures for participation in the EB program take on added significance with regard to extension of the FSB program when it is realized that historically about 90 percent of exhaustees of the EB program go on to participate in the FSB program. In addition to increased participation in the EB program, figures released by the Bureau of Labor Statistics last month indicate that the average duration of unemployment for an individual unemployed worker is once again on the rise.

In short, there are disturbing indications that the unemployment picture is deteriorating once again. Until such time as we are sure that we have overcome the recession, it would be unwise to discontinue the FSB program, a crucial weapon in our antirecession arsenal.

Since its December 1974 enactment, Congress has on several occasions, modified and extended the program to continue to provide for the needs of the long-term unemployed. The most recent extension came just last April. At that time Congress extended the FSB program for an additional seven months, in the hope that the economic picture would improve sufficiently so as to permit its expiration. The sad reality remains, however, that unemployment has not improved significantly. If the FSB program is not extended, hundreds of thousands of American workers will exhaust all entitlement to unemployment benefits and be left without the wherewithal to sup-

port themselves and their families. In my own State of New York, approximately 100,000 new claims are expected during the period of the six month extension I am proposing.

The FSB program has been highly successful in providing income security for long-term unemployed workers. During calendar year 1976, over 2 million of our Nation's unemployed workers were FSB beneficiaries. In the first 7 months of 1977, the FSB program aided approximately 1 million unemployed workers. An additional, but undetermined number of unemployed workers would have been eligible to receive benefits except for the operation of State trigger requirements which went into effect January 1, 1976. These State trigger provisions prevented thousands of long-term unemployed workers from FSB eligibility despite the fact that many of them live in high unemployment areas within the ineligible States.

A study of FSB recipients prepared last year for the Department of Labor, under the mandate of the Emergency Compensation Act of 1974, indicates that the FSB program is succeeding in reaching unemployed workers most in need of additional assistance during the recession. That study, prepared by Mathematica Policy Research, Inc. of Princeton, N.J., reports that FSB recipients were found to have strong labor market attachment—an average of 17 years—including an average of 5 years of employment at their last jobs. FSB benefits were found to have had a substantial effect on household incomes. Without those benefits, 33 percent of the recipient households in 1975 would have had incomes below the Federal poverty line—approximately \$5,000 for nonfarm families of four in 1975.

In addition, the study found that the single most important cause of an FSB recipient's job loss was the decline in business of their former employers.

FSB benefits also provide direct economic stimuli which aid in continued progress toward economic recovery. They flow directly into the mainstream of the economy from unemployed workers who use them to provide the basic essentials of food, clothing and shelter for their families.

I have long taken the position that unemployment compensation is a poor substitute for real jobs. Ideally, the private sector, complemented by effective job training and public service employment programs, would provide meaningful unemployment opportunities for all Americans who are ready, willing, and able to work. But, we cannot close our eyes to the cold reality of the employment picture on the inadequacies of the unemployment compensation system.

While the employment picture has improved somewhat, and we have made some strides toward expanding public service employment opportunities, these efforts fall far short of the remedy required if we are to provide all workers with meaningful job opportunities. An even more compelling reason for the extension of this program is that the permanent unemployment insurance program and other social welfare systems are inadequately prepared to cope with

the needs of the long-term unemployed. We have yet to see any meaningful, comprehensive reform of the unemployment compensation system. I again call on my colleagues, and particularly on the Finance Committee to turn its attention to this serious problem. The UI system is patchwork of temporary solutions and unsatisfactory compromises. Piecemeal legislation is not the answer, but it is the only available solution so long as we do not have meaningful reform of the entire unemployment compensation system.

Our failure to develop sufficient job training opportunities also provides compelling justification for the extension of the FSB program. If we could provide effective job opportunities for the long-term unemployed we would have no need for a UI system that provides benefits for such an extended period. Despite considerable congressional attention to the need for developing effective job training, any realistic appraisal of our efforts must conclude that we have not yet developed programs which can offer adequate jobs for a sufficient number of the long-term unemployed.

Finally, the inadequacy of our welfare system also argues for extension of this program. The long-term unemployed worker who exhausts his benefit entitlements under the various UI programs may have no viable alternative but to join the welfare rolls. The recognized inadequacy of the welfare system should compel us to postpone forcing long-term unemployed workers onto the welfare rolls until we develop a system that provides adequate income maintenance without robbing its beneficiaries of their self-respect or incentive to seek employment.

Last March Congress extended the FSB program for an additional 7 months. At that time I proposed that the program be extended for a full year, to carry us through the winter high unemployment months. In light of the current employment picture, and estimates for the next few months that do not project any rapid improvement, this amendment would extend the FSB program for an additional 6 months. In considering this amendment, I ask my colleagues to bear in mind two important facts. First, while we have experienced some economic improvement in the past year, recovery in many of our largest States lags behind that in the Nation as a whole. Second, the FSB program is triggered "on" and "off" on a State by State basis. Therefore, as the economic picture in any given State improves, the program will automatically discontinue when it is no longer needed.

So I felt it my duty, and so did Senator Heinz, who came to me with a very special interest in this matter, to do this before we went home, knowing that we could not deal with this matter again until the depths of winter, when it might cause a great deal of hardship and welfare cases, and so forth, to give the Senate the opportunity to express itself on this matter. This is the only bill upon which we feasibly could do it. That is the reason for this amendment.

Mr. LONG. Mr. President, the admin-

istration does not support this amendment. This amendment would cost \$500 million. It would benefit certain persons in the States of Alaska, Maine, Michigan, New Jersey, New York, Pennsylvania, Rhode Island, Washington, as well as the Commonwealth of Puerto Rico. The other 42 States would not benefit from this amendment.

This program for a solid year of unemployment benefits for persons working at least 20 weeks develops some situations that cry out for correction.

For example, the Labor Department did a survey as to what families receive in these emergency unemployment benefits, and they found that, on the average, the family income was \$8190 for the family not counting the unemployment benefit. The benefit was in addition to \$8190 in average family income.

For women with husbands, the average family income was \$10,640 without the unemployment benefits. Since these families have substantial income on the average, it may be questioned whether the unemployed person is truly available and seeking employment.

For example, it has been discussed that in many situations the wife has gone to work and worked about 20 weeks, or whatever the minimum is that it takes to become eligible. Then, when she finds herself out of work, she goes back to the house and she is working for the family. Her services are of great value to the family in the home. If you look at the fact that they are drawing benefits which average about \$2,500, and there is no tax on it, it is a pretty good deal.

In fact, in some families, we can find situations where the family would be making more money after taxes because the wife is not working than if the wife were working, especially if you consider the family income and the services of the wife in doing cooking and household services and other services to the family that a wife does in the home.

Mr. President, this program has been extended and extended again. It has been extended to the point that we have other programs. It was felt, when we got into this program, that we would continue it until other programs were developed to deal with unemployment. We have those programs.

We have only these eight States plus Puerto Rico that have the high unemployment rate, and in Puerto Rico 70 percent of the population receives food stamps. That probably bears some relation to the high unemployment rate in Puerto Rico.

I suppose that if I represented one of those States, I would be taking the same view as the Senator from New York, saying that we should continue the program when it expires again and saying that we should continue when it comes up for renewal.

At some point, these temporary programs should be terminated. It seems to me that this is about as good a time as any to terminate it. That is what the administration seems to think.

I hope the amendment will not be agreed to.

Mr. JAVITS. Mr. President, I yield 5 minutes to the Senator from Pennsylvania.

The PRESIDING OFFICER. The Senator from Pennsylvania is recognized for 5 minutes.

Mr. HEINZ. Mr. President, this is an enormously important amendment. It is important not only for the States that are immediately affected by it, as Senator JAVITS has pointed out, but also, it is going to be immensely important, I fear, for a large number of other States, States that incorporate half this Nation's work force. I refer to California, Illinois, Massachusetts, Oregon, Vermont, Connecticut, Idaho, Montana, Minnesota, Nevada, and North Dakota, because during this winter, these States, according to the best information, are estimated to be States that may need these benefits. Thus, we are talking about something that is truly national in scope.

When unemployment rises to the 5-percent insured rate, which is approximately a 7-percent actual rate, the unemployed have an extremely difficult time, an impossible time, finding a job. If there is unemployment of 4 or 5 percent, actual rate, there is changeover, there is turnover, in the work force. Although there always are, unfortunately, people who are unemployed, the people move in and out of the work force. But when the actual rate rises to 7 percent, as it is here, some unemployed workers simply cannot find a job. The consequences of that to the individual worker, the man or woman who has been feeding, housing, and clothing a family, are disastrous. Therefore, in such a period of high unemployment, extended unemployment benefits, as are provided for in the proposed amendment, are needed.

Mr. President, I originally intended to offer this amendment because of the acute unemployment problems facing the working people of my home State of Pennsylvania. However, when I discovered that Senator JAVITS' State of New York faced similar problems, I concluded that it would be more appropriate for him to introduce this amendment, because he is recognized on both sides of the aisle as being the most knowledgeable and effective legislator on this issue. I asked him to participate and he generously agreed. I wholeheartedly applaud his commitment to the plight of our unemployed.

I wholeheartedly endorse this amendment to extend the Federal supplemental benefits program. Extension of FSB will provide critical assistance to those workers in States which have experienced and continue to experience consistently high unemployment rates.

The issue to which we address ourselves through this amendment is the right of American working men and women to have sufficient financial means to meet their basic needs as they continue their search for employment, a search necessitated by economic conditions beyond their control. Absent the benefits of FSB, the nearly 1 million Americans whom this program might benefit during the 6-month extension proposed in the amendment will be faced with the choice of either abject poverty or the acceptance of welfare assistance. I correct myself. This is not a choice. In

order to survive, these previously employed workers will be forced to swell the welfare rolls.

In certain States, their receipt of welfare will be conditioned on the liquidation of some of their assets. Thus, a worker might be forced to sell his or her home, probably at a reduced, forced-sale price, only to find out a week later that the sale was unnecessary, because he or she had finally been successful in the search for employment.

The workers who are eligible for FSB, I hasten to add, have been employed. These American men and women, I emphasize, are in need of assistance because economic conditions have rendered fruitless their search for further employment.

It was the severity of the economic conditions existent in December, 1974 and our commitment to provide for the basic needs of workers forced into unemployment by those economic conditions which moved us to enact the Emergency Unemployment Compensation Act of 1974. The continuation of this economic recession exacerbated by the severity of last winter resulted in our extension of FSB.

Many areas of our country are still economically devastated by recessionary conditions. The impact of foreign imports on our economy, especially on the steel industry, has deluged an already problem-ridden economy with more difficulties. In view of these facts and in view of our past commitment to assist American working men and women whose employment expectations are frustrated by economic conditions beyond their control, I entreat my colleagues to again come to the aid of these Americans, Americans who are unemployed but looking forward to the day when there will again be a place for them in the American economy.

The supplemental benefits program has provided the long-term unemployed worker with a minimal level of subsistence; it amounts to only an average of \$70 per week on a national basis. This is a small amount. It is not a question of allowing people to live in luxury; it is simply providing the bare minimum for basic human needs during the extended period of unemployment.

Mr. President, nearly 1 million unemployed workers, including over 21,000 Pennsylvanians who were receiving the benefits of the supplemental benefits program when it was recently terminated, could be deprived of these benefits when the phasedown is completed on January 31, 1978. A very substantial portion of these families who have not exceeded the 39 weeks under the extended benefits program will face cutoffs this week without immediate congressional action.

This will be the first winter in 2 years which we have faced without a supplemental benefits program. For the last 2 years the unemployment benefits have been extended to 65 weeks. Now, with the unemployment picture clouded at best, and the weather situation uncertain, and with industrial fuels such as natural gas likely to be in short supply, we will face winter with only 39 weeks of benefits available.

Mr. President, Under Secretary of Labor, Robert J. Brown stated on September 9, as reported in the Philadelphia Inquirer of that date, that "unless the unemployment rate dropped below 7 percent in October or November, the Carter administration will seriously consider legislation extending benefits beyond 52 weeks. The extension will probably be for an additional 13 or 65 weeks."

Today, the Department of Labor released the unemployment statistics for October. The national unemployment stands at 7 percent in October. And during October, blacks and factory workers, especially steelworkers, were hit the hardest by the economic conditions which plague our country. The unemployment rate for blacks rose almost a full percentage point during the last month to a totally unacceptable 13.9 percent. In addition, over 60,000 steelworkers have been put out of work.

As I said a moment ago, Under Secretary of Labor Brown stated that if unemployment did not go below 7 percent, the administration would support the extension of unemployment benefits to 65 weeks. Well, the unemployment rate is not below 7 percent. The fact is that the country has a serious and persistent economic problem. The fact is that hundreds of thousands of Americans must struggle to survive until the economy picks up. And, although the administration has talked in vague and general terms about economic stimulus, the fact is that there is no concrete plan.

Mr. HEINZ. Mr. President, will the Senator yield 2 additional minutes?

We are getting talk about stimulating the economy, not action to do it. In the same way, we are getting lip service to the problems of the unemployed. I do not understand how the administration can continue to ignore this problem, especially when unemployment benefits are available for a full 26 weeks less than the 65 weeks of benefits which the Under Secretary of Labor stated would be the administration's goal.

I cannot believe that in the final days of this session, as we are about to stop conducting business for nearly 3 months that the administration could set upon a course which is so shortsighted. Under the best circumstances, the Congress would not be able to respond to an increasing unemployment rate until late January or early February. I believe that this "wait and see" attitude of the administration is foolish and will cause unnecessary hardship for thousands of families when the severe consequences of long-term unemployment could be judiciously dealt with now.

Mr. President, the basic issue here is one of equity:

Equity for those states which continue to face high unemployment and for which the situation has little chance of change for the immediate future . . . and equity for the individuals who wish to re-enter the job market but who find all the doors closed to them right now.

If we cannot deal equitably and fairly with our previously employed who have become unemployed involuntarily then

what hope can we seriously offer to our minorities or to our young who find the doors closed even tighter than those with skills and a previous employment record?

It is important to note that this proposed amendment has considerable support among our colleagues in the House. Congressman JAMES BRADY (D-Mass.), the chairman of the Subcommittee on Social Security of the Committee on Ways and Means, who is likely to be a conferee with respect to the present bill, is one among many Congressmen who have communicated their support to me. (Senator JAVITS and me.)

Mr. President, I exhort all of my colleagues to join us in support of this amendment, and through it, demonstrate their compassion and support to those deserving American workers who are presently unemployed as a result of the economic problems besieging our country.

Mr. JAVITS. I yield so much time as he may desire to the Senator from New Jersey.

Mr. WILLIAMS. Mr. President, I shall try to be brief, and I thank the Senator from New York.

The Senator from Louisiana has indicated that we have a temporary program here. And he said that it has come to the end of its legislated temporary period, and this is as good a time as any to end this temporary program of supplemental benefits for the unemployed.

I suggest to our good friend, the most able and distinguished Senator from Louisiana, that this in my judgment is the worst time to end a program directed to the long-term unemployed, just as we go into the winter season when the job market, bad as it is, is at its worst point, and at a time when we know the long-term unemployment is getting worse.

So, I urge my colleagues to agree to the amendment that the Senator from New York (Mr. JAVITS) and I have offered to renew and extend the emergency compensation benefits program for another 6 months.

The extension proposed in our amendment would meet the obvious need to help long-term unemployed persons survive the coming winter without impoverishing themselves and their families. Under the amendment, these important benefits would be available until next April 30 in States where joblessness remains very high and where scarce jobs remain very difficult to find.

This emergency compensation program, known in the Federal establishment as Federal Supplemental Benefits (FSB), has been a mainstay in our efforts to combat the human misery that the recession inflicted on American workers. Since its enactment in December of 1974, it has provided additional unemployment assistance to workers who exhausted their benefits under the permanent unemployment insurance system.

These permanent programs now provide up to 39 weeks of benefits for jobless workers in all States. Since last April 30, the FSB program has afforded an additional maximum of 13 weeks of benefits where high rates of unemployment persist. For the 2 years prior to April 30, the

program provided up to 26 weeks of additional benefits.

Termination of this program now, just as the winter doldrums are taking hold, would be a classic case of the worst possible timing.

It is important to bear in mind, Mr. President, that the national unemployment rate has not improved over the past 6 months. It has remained on a plateau of about 7 percent, seasonally adjusted.

Looking beyond this disappointing reality, however, it is also important to bear in mind that the seasonal adjustment factors camouflage the fact that, in real numbers, many more workers are off the job now than last summer, and many more will be added to the unemployment lines in the months just ahead.

A key statistical indicator is the number of persons enrolled in the extended benefits (EB) program, which provides benefits for those who have exhausted their entitlements under the regular 26-week program. These EB recipients would be eligible for the FSB program that would be renewed by the Javits amendment, if they remain unemployed despite their best efforts to find work for up to 52 weeks.

In the first week of November last year, 565,880 persons were enrolled in the EB program. By the end of February, this number had risen to 630,474, reflecting both the general rise in unemployment and the greater difficulty of the long-term unemployed to find a job.

By the third week of August, EB enrollments had dropped to 279,216, reflecting a dramatic decrease in long-term unemployment across the Nation.

But within a few weeks, the trend made an even more dramatic turnaround. During September and October, EB enrollments have risen by more than 179,000 to the level of 458,411 in the third week in October.

In short, Mr. President, long-term unemployment has increased dramatically in recent weeks. Jobs are more difficult to find, and for those who cannot find them, the situation will worsen as winter settles in. It is this group of workers for whom we seek adoption of our amendment today.

The need for this legislation is particularly crucial in my home State of New Jersey, which had the highest unemployment rate last year of any State, 10.4 percent. Conditions have improved significantly in recent months in New Jersey, but joblessness remained at 8.6 percent in August. Over 268,000 workers were counted as unemployed persons who were looking for a job but could not find one.

Nearly 33,000 jobless workers were receiving extended benefits (EB) in August. Another 23,000 were receiving Federal supplemental benefits (FSB), or emergency compensation (EC) as it is known in my State.

Without enactment of our amendment, some 3,000 New Jersey residents will be dropped from the UI rolls abruptly.

Still another 57,000 New Jersey residents, not now enrolled in FSB, would qualify for, but not receive, these benefits if our amendment is not enacted.

In summary, some 60,000 unfortunate

workers and their families in my State alone will need the FSB payments this winter.

Without these benefits, their choices will be few. Unable to find a job during the most difficult winter season, they will be forced to exhaust their personal savings and, in many cases, turn to the welfare program to keep home and family together.

Mr. President, the monthly unemployment report of the Bureau of Labor Statistics, released just this morning, gives little reason for comfort to jobless Americans.

Overall unemployment in October was up slightly to 7 percent, where it has remained virtually unchanged since April.

Long-term unemployment—persons unemployed 27 weeks or longer—increased by 20,000 last month alone, to a level of 946,000 workers. These are the workers who will, in many cases, have dire need for FSB assistance this winter.

Among blue-collar workers, who have among the lowest earnings in the workforce and need help the most as a result, unemployment increased sharply in October from 7.9 percent to 8.3 percent.

If there were any hope that manufacturing employment would expand to absorb seasonal workers, it is a vain hope. Manufacturing employment has remained static since May.

Finally, Mr. President, I hope that my colleagues will give special attention to the fact that, without an extension of the FSB program for the coming winter, the long-term unemployed will be asked to make do with far less than Congress provided them last winter and the winter before.

You will recall, Mr. President, that the FSB program provided up to 65 weeks of benefits during the last two winters. As the law now stands, it would provide a maximum of only 39 weeks of benefits during the winter ahead.

Such a cutback in maximum benefit duration constitutes a harsh reduction in the Federal commitment to help working Americans cope with the recession.

I recognize, Mr. President, that a return to a 65-week maximum benefit duration is not likely to be approved by the Congress. I fought that battle last spring, and the majority on the other side was large enough to persuade me not to renew that battle.

But a 52-week maximum is realistic and, I believe, would meet with the approval of the House of Representatives. It is the least we can do at this time, Mr. President, and that is why our amendment is written as it is.

It provides for a return to the 52-week maximum benefit duration that was in effect until this week and extends that provision until next April 30.

So, for all of the reasons of humanity and the harsh facts of what the situation is going to be this winter with the unemployed, I earnestly hope this amendment will be agreed to.

The PRESIDING OFFICER. Who yields time?

Mr. LONG. I yield to the Senator from Wyoming 3 minutes.

The PRESIDING OFFICER. The Sen-

ator from Wyoming is recognized for 3 minutes.

Mr. HANSEN. Mr. President, it has been stated here this evening that this is not a regional or a local program but, indeed, a national program.

I call attention to that fact. I do not think it really makes much difference to a person who has been out of work whether he lives in the State of New York or in a State such as the State of Kentucky, where the rate of unemployment at the present time runs about 2.97 percent.

I do not believe it is fair or equitable that it should be to an unemployed worker's advantage to be able to say he is in one of these States where this trigger is going to apply.

I voted against extending benefits when that extension came up a few years ago. This amendment would extend Federal benefits going directly to the worker for another 3 months.

I know it is tough to be out of work. I do not think it can be contended that there are not cases where work could be found. I will not dwell on that subject very long. But right in this city of Washington, D.C., you can look at the want ads or you can drive around the town, as I have and I know that many Members have, and find signs asking people to come in and offer their services to take a job.

But the thing that strikes me that is basically wrong about this amendment is that it rewards people who are unemployed if they happen to be fortunate enough to live in a State where the trigger applies, and on that basis I think the Senate should reject this amendment. If it were going to be applied equitably over the entire United States, there would be greater justification for it than there is at the present time, but since only a few States receive the benefit, I do not believe the amendment actually provides a "national solution to the national problem of unemployment."

I hope, as a consequence, that the Senate will reject this amendment.

Mr. LONG. Mr. President, I yield myself 2 minutes.

The PRESIDING OFFICER. The Senator from Louisiana,

Mr. LONG. Mr. President, we have in this bill the Moynihan amendment which the administration will accept. It provides \$374 million for the remainder of this fiscal year to be spread among all the States. New York, for example, will get \$53 million of that money, and California will get a nice big chunk of it. Those are the two States that get the biggest help. But all the States will get fiscal relief they had not even planned on or budgeted and all of that they can use for their welfare programs. They will certainly give a priority to welfare if they need to. I do not think they want to use this money with people drawing the benefits where the family income is \$12,500, and that is the average family income including unemployment benefits for these families with husband and wife where the wife is receiving unemployment compensation. For all recipients the average is \$10,420 with the unemployment benefits, \$8,190 without.

Those people are not all that hard up. That is way above the poverty line. If anyone is in a situation of need, we have right in this bill \$374 million for the States that they were not even budgeting on to help take care of the needy.

Mr. President, no one need suffer because we have a lot of money in this bill to help take care of situations where someone might find himself in need.

Mr. BELLMON. Mr. President, will the Senator yield?

How much time does the Senator from Oklahoma desire?

Mr. BELLMON. Five minutes.

Mr. LONG. I yield 5 minutes to the Senator from Oklahoma.

Mr. BELLMON. Mr. President, I hesitate to throw a cold blanket over the fun some Members are having spending the taxpayers' money as well as the money of future generations of taxpayers. But I believe the total budget implications of this bill needs to be called to the Senate's attention before we vote on the Javits amendment. I shall give a little report on what actions have been taken so far today in terms of the budget for fiscal year 1978.

When this bill came out of the Committee on Finance it managed to walk a fine line under the budget resolution the Senate passed less than 2 months ago. Actually the Committee on Finance was only technically within its allocation under the budget resolution.

That resolution, Mr. President, assumed a \$350 million amount in medicare and medicaid cost savings, that up to now the Committee on Finance has not yet reported a bill on it.

Taking the committee version of the social security bill into account, and assuming there were no medicare-medicaid savings, which seems to be a fairly reasonable assumption at this point, the Committee on Finance would have been about \$200 million over its allocation of direct spending entitlements under the budget resolution.

The Budget Committee did not make a fuss about it. We hope the Committee on Finance will report a bill to make such savings. There is still time to do it, and we urge them to go ahead and reach that goal.

There was also a small overage of allocations. That small overage could disappear when we make some updated estimates later on, so there really was not much to be glad about.

We were able to agree with the Committee on Finance that it was consistent with the second budget resolution. But look what we have done here on the floor the last couple of days.

We have added fiscal year 1978 spending in these ways:

First of all, the DeConcini-Bayh amendment on benefits to the blind added \$300 million in spending; the Wallop amendment on the offset of workman's compensation benefits against social security costs \$150 million; the Bumpers amendment to the Roth amendment on refundable tax credit for college tuition was \$100 million; so we have added \$550 million to the bill that was at least \$250 million over.

In addition we are going to quickly

vote, hopefully, on the Javits amendment that is going to extend Federal supplemental unemployment benefits for 39 weeks, and this is going to cost another \$500 million.

So, Mr. President, this means we have got more than \$1 billion in fiscal year 1978 not covered in the budget resolution.

If this bill is not to rupture the budget entirely, it is going to be absolutely essential that the conference agreements reduce some of the fiscal year 1978 spending under this bill or it will ultimately be \$1 billion more than we can afford under the budget.

The Budget Committee cannot legally raise points of order against these costly floor amendments the way the law is written. We can only tell the Senate what we are doing to the budget with these big spending schemes. The fact is that we are now rupturing the budget that we planned so carefully and adopted only a few weeks back.

I want to conclude by again saying that the Javits amendment adds \$500 million to the deficit, which is already approaching \$63 billion for fiscal year 1978. The deficit in fiscal year 1977 was only \$45 billion by comparison. We are roughly then going to be \$20 billion further in the red in fiscal year 1978 than we were in fiscal year 1977.

We are moving in precisely the wrong direction. It is going to have immensely damaging effects on the economy of the country, and I urge that we begin to practice restraint by defeating the Javits amendment.

Mr. LONG. Mr. President, I appreciate the statement of the distinguished Senator from Oklahoma. In this situation, the Committee on Finance is pleading with the Senate not to put this additional \$500 million on the bill. We do not think it is justified, and we are urging that it not be agreed to.

We are also trying to comply with the Budget Committee's admonition that we should not spend this money, and I do not want to spend it.

Mr. JAVITS. I yield myself 30 seconds. I would like to call attention to this Alice-in-Wonderland situation of the Senate. We have been spending all day adding billions of dollars, and we are suddenly becoming economical at the expense of the unemployed.

I yield a minute to the Senator from Rhode Island.

Mr. CHAFEE. Mr. President, I must say one man's thrift is another man's wild spending.

In this particular bill, it seems to me, as we come into these difficult days ahead, particularly with respect to those workers who have had this long-time unemployment, many of whom are in marginal industries which are going to be very severely affected by the taxes that have been dramatically increased in the Senate over the past 2 weeks—and I am speaking of the energy taxes and the social security taxes that are going to force many marginal industries under, with the concomitant and associated unemployment, Mr. President, that being so, I support the remarks of those who

have gone before in favor of this measure.

Mr. JAVITS. Mr. President, I yield the remainder of our time to the Senator from New York.

The PRESIDING OFFICER. The Senator from New York.

Mr. MOYNIHAN. I thank my colleagues who I have joined in this colloquy.

I would like to speak directly and quickly to the economics of this situation. What we have done the last 2 days. Mr. President, is to overwhelmingly raise taxes in America, and we do so at a time when the rising, and I think now a majority, judgment of economic observers of this country is that there must be a tax cut. The President has as much as said so.

For example, the costs to the gross national product alone of the social security tax increases that were adopted by the House, Merrill Lynch estimates at \$2.9 billion GNP.

The point, Mr. President, is that President Carter will probably propose a tax cut this January because this economy is not moving as it should. In my State unemployment is 7.8 percent, but the effect of the Javits amendment would be a tax cut, an immediate direct increase of disposable income in the family budgets of people who are in this economy.

It is not only social justice but it is, in my view, prudent economic anticipation of the fact that the economy needs stimulation. It needs more purchasing power. Now that we have greatly increased the amount of money the government will take out of the economy, here is an opportunity in an area of great need and equity to increase the amount that will go in. It will partially compensate for what we have done.

This could be, in effect, the first economic stimulus of President Carter's 1978 program.

I thank my colleagues.

Mr. LONG. I yield back the remainder of my time.

Mr. JAVITS. Mr. President, I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from New York. The clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DeCONCINI), the Senator from Mississippi (Mr. EASTLAND), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from Montana (Mr. METCALF), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Tennessee (Mr. SASSER), the Sen-

ator from Alabama (Mr. SPARKMAN), and the Senator from Nebraska (Mr. ZORINSKY) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "yea."

On this vote, the Senator from Connecticut (Mr. RIBICOFF) is paired with the Senator from North Carolina (Mr. MORGAN). If present and voting, the Senator from Connecticut would vote "yea" and the Senator from North Carolina would vote "nay."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Massachusetts (Mr. BROOKE), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

On this vote, the Senator from Oregon (Mr. HATFIELD) is paired with the Senator from North Carolina (Mr. HELMS). If present and voting, the Senator from Oregon would vote "yea" and the Senator from North Carolina would vote "nay."

The result was announced—yeas 29, nays 43, as follows:

[Rollcall Vote No. 629 Leg.]

YEAS—29

Abourezk	Gravel	Mathias
Anderson	Griffin	Moynihan
Bayh	Haskell	Nelson
Case	Hathaway	Pell
Chafee	Helms	Riegle
Clark	Jackson	Sarbanes
Cranston	Javits	Schweiker
Culver	Kennedy	Stafford
Danforth	Leahy	Williams
Dole	Magnuson	

NAYS—43

Allen	Garn	Nunn
Baker	Glenn	Packwood
Bellmon	Hansen	Proxmire
Bumpers	Hart	Randolph
Burdick	Hollings	Roth
Byrd	Inouye	Schmitt
Harry F., Jr.	Laxalt	Stennis
Byrd, Robert C.	Long	Stevenson
Chiles	Lugar	Stone
Church	Matsunaga	Talmadge
Curtis	McClure	Thurmond
Domenici	McGovern	Tower
Durkin	McIntyre	Wallop
Eagleton	Meicher	Young
Ford	Metzenbaum	

NOT VOTING—28

Bartlett	Hayakawa	Percy
Bentsen	Helms	Ribicoff
Biden	Huddleston	Sasser
Brooke	Humphrey	Scott
Cannon	Johnston	Sparkman
DeConcini	McClellan	Stevens
Eastland	Metcalf	Weicker
Goldwater	Morgan	Zorinsky
Hatch	Muskie	
Hatfield	Pearson	

So Mr. JAVITS' amendment was rejected.

The PRESIDING OFFICER (Mr. SARBANES). Under the unanimous-consent

agreement, the Chair recognizes the Senator from Texas (Mr. TOWER).

UP AMENDMENT NO. 1066

(MODIFICATION OF AMENDMENT NO. 1541)

(Purpose: A proposal to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system.)

Mr. TOWER. Mr. President, I call up my amendment No. 1541.

The PRESIDING OFFICER. The clerk will state the amendment.

The assistant legislative clerk read as follows:

The Senator from Texas (Mr. TOWER) proposes an amendment numbered 1541.

Mr. TOWER. Mr. President, I ask unanimous consent that further reading of the amendment be dispensed with, and I send to the desk a modification.

The PRESIDING OFFICER. Without objection, the reading of the amendment is dispensed with, and the amendment of the Senator from Texas is modified.

The amendment as modified (UP No. 1066) is as follows:

Strike out section 101.

Strike out section 102.

Strike out section 103 and insert in lieu thereof the following:

PARTIAL TRANSFER OF HOSPITAL INSURANCE TAX INCREASE TO OASDI TRUST FUND; INCREASE OF EMPLOYMENT AND SELF-EMPLOYMENT TAXES; REALLOCATION AMONG TRUST FUNDS

SEC. 103. (a) TAX ON EMPLOYEES.—

(1) Old-age, survivors, and disability insurance.—Paragraphs (1) and (2) of section 3101(a) of the Internal Revenue Code of 1954 are amended to read as follows:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages received during the calendar years 1978 through 1981, the rate shall be 5.10 percent;

"(3) with respect to wages received during the calendar years 1982 through 2010, the rate shall be 5.15 percent; and

"(4) with respect to wages received after December 31, 2010, the rate shall be 5.95 percent."

(2) Hospital insurance.—Paragraphs (2) through (4) of section 3101(b) of the Code are amended to read as follows:

"(2) with respect to wages received during the calendar years 1978 through 1980, the rate shall be 0.95 percent;

"(3) with respect to wages received during the calendar years 1981 through 1985, the rate shall be 1.20 percent; and

"(4) with respect to wages received after December 31, 1985, the rate shall be 1.35 percent."

(b) TAX ON EMPLOYERS.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCES.—Paragraphs (1) and (2) of section 3111(a) of the Code are amended to read as follows:

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

"(2) with respect to wages paid during the calendar years 1978 through 1981, the rate shall be 5.10 percent;

"(3) with respect to wages paid during the calendar years 1982 through 2010, the rate shall be 5.15 percent; and

"(4) with respect to wages paid after December 31, 2010, the rate shall be 5.95 percent."

(2) Hospital insurance.—Paragraphs (2) through (4) of section 3111(b) of the Code are amended to read as follows:

"(2) with respect to wages paid during

the calendar years 1978 through 1980, the rate shall be 0.95 percent;

"(3) with respect to wages paid during the calendar years 1981 through 1985, the rate shall be 1.20 percent; and

"(4) with respect to wages paid after December 31, 1985, the rate shall be 1.35 percent."

(c) TAX ON SELF-EMPLOYMENT INCOME.—

(1) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—Subsection (a) of section 1401 of the Code is amended to read as follows:

"(a) OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE.—In addition to other taxes there shall be imposed for each taxable year, on the self-employment income of every individual, a tax as follows:

"(1) in the case of any taxable year beginning after December 31, 1972, and before January 1, 1978, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1977 and before January 1, 1982, the tax shall be equal to 7.15 percent of the amount of the self-employment income for such taxable year."

"(3) in the case of any taxable year beginning after December 31, 1981, the tax shall be equal to 7.20 percent of the amount of the self-employment income for such taxable year."

(2) Hospital insurance.—Paragraphs (2) through (4) of subsection (b) of section 1401 of the Code are amended to read as follows:

"(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to .95 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1986, the tax shall be equal to 1.20 percent of the amount of the self-employment income for such taxable year; and

"(4) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year."

Strike out section 104 and insert in lieu thereof the following:

COMPUTATION OF PRIMARY INSURANCE AMOUNT

SEC. 104. (a) Section 215(a) of the Social Security Act is amended to read as follows:

"(a)(1)(A) The primary insurance amount of an individual (except as otherwise provided in this section) is equal to the sum of—

"(i) 80 per centum of the individual's average indexed monthly earnings (determined under subsection (b)) up to the amount established for purposes of this clause by subparagraph (B),

"(ii) 37 per centum of the portion of the individual's average indexed monthly earnings which exceeds the amount established for purposes of clause (i) but does not exceed the amount established for purposes of this clause by subparagraph (B), and

"(iii) 25 per centum of the individual's average indexed monthly earnings to the extent that they exceed the amount established for purposes of clause (ii), rounded in accordance with subsection (g), and thereafter increased as provided in subsection (i).

"(B)(i) In the case of an individual who becomes eligible for old-age or disability insurance benefits or who dies in the calendar year 1979, the amounts established with respect to subparagraphs (A) (i) and (A) (ii) are \$250 and \$1,010, respectively.

"(ii) In the case of an individual who becomes eligible for old-age or disability insurance benefits or who dies in a calendar year after 1979, each of the amounts estab-

lished with respect to subparagraphs (A) (i) and (A) (ii) shall equal the product of the corresponding amount established with respect to the calendar year 1979 under clause (i) of this subparagraph, and the quotient obtained by dividing—

"(I) the average Consumer Price Index prepared by the Department of Labor for the 12 months of the second calendar year preceding the calendar year for which the determination is made, by

"(II) the average such Consumer Price Index for the calendar year 1977.

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

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

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

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

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

"(ii) For purposes of the preceding clause, the term 'years of coverage' means the number (not exceeding 30) equal to the sum of (i) the number (not exceeding 14 and disregarding any fraction) determined by dividing (a) the total of the wages credited to the individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1974 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by (b) \$900, plus (II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (B) (ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, compensation under the Railroad Retirement Act of 1937 or the Railroad Retirement Act of 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 239) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year.

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

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

"(i) the primary insurance amount upon

which that disability insurance benefit was based, increased in the case of the individual who so became entitled, became reentitled, or died, by each general benefit increase (as defined in subsection (1) (3)) and each increase provided under subsection (1) (2) that would have applied to that primary insurance amount had the individual remained entitled to that disability insurance benefit until the month in which he became entitled, reentitled, or died, or

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

"(B) In the case of an individual who was entitled to a disability insurance benefit for any month, and with respect to whom a primary insurance amount is required to be computed at any time after the close of the period of the individual's disability (whether because of that individual's subsequent entitlement to old-age insurance benefits, to a disability insurance benefit based upon a subsequent period of disability, or death), the primary insurance amount so computed may in no case be less than the primary insurance amount on the basis of which he most recently received a disability insurance benefit.

"(3)(A) Except as otherwise provided by paragraph (4), paragraph (1) applies to—

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

"(I) becomes eligible for that benefit,

"(II) becomes eligible for a disability insurance benefit, or

"(III) dies, and

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

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

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

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

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

"(I) under section 215(a) (without reference to section 215(d)), as in effect in December 1978, in the case of an individual who becomes eligible for an old-age insurance benefit prior to 1984, or

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

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

"(I) the table of benefits in effect in December 1978 shall apply without regard to any increases in that table which become effective (in accordance with subsection (i) (4)) for years after 1978 and prior to the year in which the insured individual became

eligible for an old-age or disability insurance benefit, or died, and

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

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

(b) Section 215(b) (except the caption thereof) is amended to read as follows:

"(b) (1) The amount of an individual's average indexed monthly earnings is equal to the quotient obtained by dividing—

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

"(B) the number of months in those years.

"(2) (A) The number of an individual's benefit computation years equals the number of elapsed years, reduced by five, except that the number of an individual's benefit computation years may not be less than two.

"(B) For purposes of this subsection—

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

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

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

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

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

"(iii) the term 'number of elapsed years' means, in the case of any individual, except as otherwise provided by section 104(j) of the Social Security Amendments of 1972 (Public Law 92-603), the number of calendar years after 1950 (or, if later, the year in which the individual attained age 21) and before the year in which the individual died, or, if it occurred after 1960, the year in which he attained age 62; except that such term excludes any calendar year any part of which is included in a period of disability.

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

"(i) the wages and income credited to such year, and

"(ii) the quotient obtained by dividing—

"(I) the average Consumer Price Index prepared by the Department of Labor for the 12 months of the second calendar year (after 1976) preceding the earliest of the year of the individual's death, eligibility for an old-age insurance benefit, or eligibility for a disability insurance benefit (but excluding the year in which the individual dies, or becomes eligible, if the individual was entitled to disability insurance benefits for any month in the 12-month period immediately preceding such year), by

"(II) the average of such Consumer Price Index for the computation base year for which the determination is made.

"(B) Wages paid in or self-employed in-

come credited to an individual's computation base year—

"(i) which occurs after the second calendar year specified in subparagraph (A) (ii) (I), and where applicable, or

"(ii) in a year under subsection (f) (2) (D) considered to be the last year of the period specified in subsection (b) (2) (B) (ii),

are available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

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

(c) Section 215(c) (except the caption thereto) is amended to read as follows:

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

(d) (1) The matter in section 215(d) which precedes subparagraph (C) of paragraph (1) is amended to read as follows:

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

"(A) the individual's average monthly wage shall be determined as provided in subsection (b) of this section, as in effect in December 1977 (but without regard to paragraph (4) thereof), except that for purposes of paragraphs (2) (C) and (3) of that subsection (as so in effect), 1936 shall be used instead of 1950.

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

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

"(ii) no more than \$42,000 may be taken

into account, for purposes of this subparagraph, as total wages after 1936 and prior to 1951."

(2) Section 215(d) (1) (D) is amended to read as follows:

"(D) The individual's primary insurance benefits shall be 40 per centum of the first \$50 of his average monthly wage as computed under this subsection, plus 10 per centum of the next \$200 of his average monthly wage; increased by 1 per centum for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual's total wages prior to 1951 divided by \$1,650 (disregarding any fraction)."

(3) Section 215(d) (3) is amended (A) by striking subparagraphs (A) and (B), and (B) by striking the dash after "individual" and inserting instead the text of the stricken subparagraph (B).

(4) Section 215(d) is amended by adding at the end the following new paragraph:

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

(e) Section 215(e) is amended—

(1) by striking out "average monthly wage" each time it appears and inserting instead "average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage," and

(2) by inserting immediately before "(of (A) in paragraph (1) the following: "(before the application, in the case of average indexed monthly earnings, of subsection (b) (3) (A))".

(f) (1) Section 215(f) (2) is amended to read as follows:

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

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

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

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

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

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

(2) Section 215(f) (3) is repealed.

(3) Section 215(f) (4) is amended to read as follows:

"(4) A recomputation is effective under this subsection only if it results in a primary insurance amount that is higher (by at least \$1) than the previous primary insurance amount."

(4) There is added at the end of section 215(f) the following new paragraph:

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

(g) (1) Section 215(1) (2) (A) (ii) is amended to read as follows:

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

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

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

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

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

(2) Section 215(1) (2) (A) is amended by adding at the end the following new clause:

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

benefits payable for months after May of that year."

(3) Section 215(1) (2) (D) is amended by striking out all that follows the first sentence, and by inserting instead the following: "He shall also publish in the Federal Register at that time a revision of the benefit table established by subparagraph (C) (1) (I) of subsection (a) (1), and that shall be the amount determined for purposes of subparagraph (C) (1) (II) of such subsection."

(4) There is added at the end of section 215(1) the following new paragraph:

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

Strike out section 108 and insert in lieu thereof the following:

SEC. 108. (a) The amendments made by section 103 of this Act shall be effective on January 1, 1978.

(b) The amendments made by the preceding provisions of this Act, except as provided in subsection (a), and other than section 104(d), shall be effective with respect to monthly benefits and lump-sum death benefits under title II of the Social Security Act payable for months after December 1978. The amendments made by section 104(d) shall be effective with respect to monthly insurance benefits of an individual who becomes eligible for an old-age or disability insurance benefit or who dies after December 31, 1977.

Insert at the appropriate place in title II the following new section:

NATIONAL COMMISSION ON SOCIAL SECURITY

SEC. . (a) (1) There is hereby established a commission to be known as the National Commission on Social Security (hereinafter in this section referred to as the "Commission").

(2) (A) The Commission shall consist of—

(i) five members to be appointed by the President, by and with the advice and consent of the Senate, one of whom shall, at the time of appointment, be designated as Chairman of the Commission;

(ii) four members to be appointed by the Speaker of the House of Representatives; and

(iii) four members to be appointed by the President pro tempore of the Senate.

(B) At no time shall more than three of the members appointed by the President, two of the members appointed by the Speaker of the House of Representatives, or two of the members appointed by the President pro tempore of the Senate be members of the same political party.

(C) The membership of the Commission shall consist of individuals who are of recognized standing and distinction and who possess the demonstrated capacity to discharge the duties imposed on the Commission, and shall include representatives of the private insurance industry and of recipients and potential recipients of benefits under the programs involved as well as individuals whose capacity is based on a special knowledge or

expertise in those programs. No individual who is otherwise an officer or full-time employee of the United States shall serve as a member of the Commission.

(D) The Chairman of the Commission shall designate a member of the Commission to act as Vice Chairman of the Commission.

(E) A majority of the members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(F) Members of the Commission shall be appointed for the life of the Commission.

(G) A vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as that herein provided for the appointment of the member first appointed to the vacant position.

(3) Members of the Commission shall receive \$138 per diem while engaged in the actual performance of the duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

(4) The Commission shall meet at the call of the Chairman, or at the call of a majority of the members of the Commission; but meetings of the Commission shall be held not less frequently than once in each calendar month which begins after a majority of the authorized membership of the Commission has first been appointed.

(b) (1) It shall be the duty and function of the Commission to conduct a continuing study, investigation, and review of—

(A) the Federal old-age, survivors, and disability insurance program established by title II of the Social Security Act; and

(B) the health insurance programs established by title XVIII of such Act.

(2) Such study, investigation, and review of such programs shall include (but not be limited to)—

(A) the fiscal status of the trust funds established for the financing of such programs, with emphasis on means for keeping the trust funds in positive, long-range actuarial balance over the next 75 years and for keeping the reserve ratios at a 25 percent level, or, alternatively, at a 50 percent level;

(B) the rapid draining of funds from the Disability Insurance Trust Fund under present law;

(C) the public welfare aspects of the old-age, survivors, and disability insurance program which provides greater benefits to low income individuals than to high income individuals in relation to the amount contributed to the trust funds by such individuals;

(D) the inclusion of Federal employees, or other employees presently excluded, under the old-age, survivors, and disability insurance program and the hospital insurance program; and

(E) the establishment of a system permitting covered individuals a choice of public or private insurance programs, or both.

(3) In making recommendations the Commission may not consider—

(A) the use of general revenue financing to support (in whole or in part) the insurance programs;

(B) the use of a system whereby the duties of employer and employee to contribute to the funding of the insurance programs are not equal;

(C) the inclusion of Federal employees under the insurance programs if such inclusion would result in a level of benefits for Federal employees below the level of benefits received by such employees under present law; or

(D) any modifications in benefits which would increase costs to the insurance programs, unless such modifications are accompanied by recommendations which provide for a means for keeping the trust funds in positive, long-range actuarial balance over

the next 75 years, and for keeping the reserve ratios at a 25 percent level, or alternatively, at a 50 percent level.

(4) In order to provide an effective opportunity for the general public to participate fully in the study, investigation, and review under this section, the Commission in conducting such study, investigation, and review, shall hold public hearings in as many different geographical areas of the country as possible. The residents of each area where such a hearing is to be held shall be given reasonable advance notice of the hearing and an adequate opportunity to appear and express their views on the matters under consideration.

(c)(1) No later than 4 months after the date on which a majority of the authorized membership of the Commission is initially appointed, the Commission shall submit to the President and the Congress a special report describing the Commission's plans for conducting the study, investigation, and review under subsection (b), with particular reference to the scope of such study, investigation, and review and the methods proposed to be used in conducting it.

(2) On or before January 1, 1979, the Commission shall submit to the President and the Congress an interim report on the study, investigation, and review under subsection (b), together with its recommendations with respect to the programs involved. On or before January 1, 1980, the Commission shall submit to the President and the Congress a final report of the Commission on such study, investigation and review, and shall include its final recommendations; and upon the submission of such final report the Commission shall cease to exist.

(d)(1) The Commission shall appoint an executive director of the Commission who shall be compensated at a rate fixed by the Commission, but which shall not exceed the rate established for level V of the Executive Schedule by title 5, United States Code.

(2) In addition to the executive director, the Commission shall have the power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of title 5, United States Code, governing appointments to the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates.

(e) In carrying out its duties under this section, the Commission, or any duly authorized committee thereof, is authorized to hold such hearings, sit and act at such times and places, and take such testimony, with respect to matters with respect to which it has a responsibility under this section, as the Commission or such committee may deem advisable. The Chairman of the Commission or any member authorized by him may administer oaths or affirmations to witnesses appearing before the Commission or before any committee thereof.

(f) The Commission may secure directly from any department or agency of the United States such data and information as may be necessary to enable it to carry out its duties under this section. Upon request of the Chairman of the Commission, any such department or agency shall furnish any such data or information to the Commission.

(g) The General Services Administration shall provide to the Commission, on a reimbursable basis, such administrative support services as the Commission may request.

(h) There are authorized to be appropriated such sums as are necessary to carry out the provisions of this section.

(i) It shall be the duty of the Health Insurance Benefits Advisory Council (established by section 1867 of the Social Security Act) to provide timely notice to the Commission of any meeting thereof, and the Chairman of the Commission (or his dele-

gate) shall be entitled to attend any such meeting.

The amendments made by this amendment to sections 1401, 3101, and 3111 of the Internal Revenue Code of 1954 shall not be modified as a result of any amendment to the bill H.R. 9346 agreed to prior to the adoption of this amendment.

THE PRESIDING OFFICER. Will the Senator suspend momentarily, while we clear the aisles and obtain order in the Chamber? Senators will please take their seats.

The Senator from Texas.

MR. TOWER. Mr. President, the modification I have made does not change my amendment substantially, except to the section relative to the elimination of—

MR. NELSON. Mr. President, may we have order so we can hear the Senator from Texas?

THE PRESIDING OFFICER. The point is well taken. Will Senators please cease their conversations?

The Senator from Texas.

MR. TOWER. Mr. President, the only change my modification makes in the original amendment No. 1541 is to change the section on earnings limitations to conform with the amendment of the Senator from Arizona, as modified by the Senator from Idaho. In other respects it is the same, except that it is not offered as a substitute, but as an amendment to the bill.

Mr. President, everybody in this country has a stake in the future of the social security system—and there is no longer any question that its financing needs to be overhauled. That is why the choices we in Congress must now make in finding ways to shore up its sagging financial structure are so critical. The decisions we make, the legislation we write, will determine if generations of working Americans to come can expect meaningful benefits in return for their years of contributions.

While I share with my colleagues on the Finance Committee's desire to solve this particularly complex issue, I believe there are alternatives to those suggestions made by the committee. We cannot place this burden of lessening the financial ills of social security too heavily on our middle class and business community. Buffeted by inflation, and ever larger taxes imposed by Government, middle income families cannot be made to bear a still greater share of the financing load for the retired generation. Applying a disproportionate share of this tax to employers would be equally unfair and ill advised. Employers will not pay increases in payroll taxes out of profits, but rather will shift the tax primarily to their employees, either through lower wages or by hiring fewer workers. Increased prices to the consumer would be an unavoidable product of this approach.

Mr. President, the precipitate rise in taxable wage base, the inequitable distribution of payroll tax increases as suggested by the Finance Committee, will combine to produce inadequate and, in my view, unacceptable options for the American people.

Therefore, today I ask my colleagues to consider the more responsible alternatives found in my financing proposal

which effectively answer the short-term and long-term needs of social security and restore financial integrity to the system once again.

To achieve these goals, my amendment first averts drastic funding changes proposed to ease the short-range problems by using available moneys in a wiser fashion. During this time an appointed outside commission would be instructed to find comprehensive solutions to the impending deficit without shifting funds from general revenues or without breaking the historic partnership of the employer and the worker in financing the system on an equal basis. Second, it would solve the long-range financing problems by using a price-indexing formula of decoupling, which would correct the error in the 1972 amendments. Meanwhile it would insure that future retirees receive benefits that keep pace with their cost of living. Third, my amendment would also retain the action which the Senate has already taken on the modification of the outside earnings limitation, together with other amendments which the Senate already has approved.

Mr. President, financial soundness can be achieved and a number of longstanding inequities in social security can be corrected. The damage is not beyond repair. But social security is much too important for ill-considered, quick-fix solutions such as the Finance Committee seems to have embraced.

I call on my colleagues to consider my proposal as a more responsible alternative to the other legislation we have been asked to consider. I am convinced that the results of our combined efforts will effectively stabilize the drain on the trust funds and renew Americans' confidence in an economically viable social security system once again.

We do not need to act this year in a hasty and precipitate fashion. We do not need to act similarly next year. Through proper—and more rational—allocation of our currently scheduled tax resources, we have until the early part of the next decade to make changes—permitting a deliberative and careful review of this entire question.

Therefore, Mr. President, I urge the adoption of my amendment.

Mr. President, I reserve the remainder of my time.

THE PRESIDING OFFICER. Who yields time?

MR. TOWER. Mr. President, I ask for the yeas and nays on my amendment.

THE PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

MR. DANFORTH. Will the Senator yield for a question?

MR. TOWER. I yield for a question.

MR. DANFORTH. I commend the Senator from Texas for his proposal. With respect to the decoupling issue, this is a somewhat technical problem which was created several years ago when Congress, I think inadvertently, double indexed the computation for the initial pay-out of social security to both wages and prices. It is universally recognized, I

believe, that decoupling, that is, resolving this combination of two different methods of indexing, has to be accomplished.

The bill which is before us would decouple by retaining wage indexing. I do not have the figures before me now, but the fact of the matter is that if instead of retaining wage indexing we retain price indexing, we would protect those who do reach the age for receiving social security from the effects of inflation, which is exactly what indexing is supposed to do. We would still preserve the possibility of adjusting the benefits of those who have already reached retirement age, which possibility is, I believe, foregone by the approach that we are taking in this bill, which would retain the wage indexing method of computation.

The Senator's proposal also would result in a considerable saving for the social security trust fund.

If that were the Senator's sole proposal I would have no hesitation at all in supporting the Senator, and supporting him enthusiastically. However, I am a little bit concerned about the possibility of a further study. We have had a study for the last few years, and I think have pretty well debated the course we can take in resolving the short-term problems of social security financing.

My question will be, how long does the Senator intend to put it off? If we do put off the resolution of the short-term problem, we simply increase the actuarial problem which we are going to have to solve down the road, which would be even more tax or base increases in some future year than we have in this bill.

Mr. TOWER. I want to thank the Senator for his very constructive contribution to this discussion. I may say that he has certainly stated the case for decoupling far more eloquently and lucidly than I could.

In fact, my proposal does make the social security benefits inflation-proof but does not result in the enormous costs that wage indexing would result in. Therefore, I think it makes the system more sound.

In terms of the commission, it is my intent that it would be a very bipartisan commission, aloof from political considerations, that could look at this matter in a seasonal and timely fashion and make some sort of recommendations to us. They would be required to report on January 1 of 1980. The fund would not run out until the year of 1983. Therefore, there would be an ample period of time in which Congress could act subsequent to the report of the commission. There would be approximately 3 years in which Congress could act.

It could, of course, accept or reject what the findings of the commission or the recommendations of the commission might be.

Mr. DANFORTH. As far as the short term problem, the short term solution, the Senator would, in essence, put that off until 1983?

Mr. TOWER. Well, the short term solution is that we make the system solvent through 1983 by a judicious transfer

of funds. Therefore, there would be no fear of bankruptcy of the system before 1983 if we failed to act before that time. But I would expect that we would act in a timely fashion subsequent to the report of the commission.

Mr. DANFORTH. Mr. President, the disability fund, as I understand it, would run out of money in 1979 and health insurance—

Mr. TOWER. No, by the transfer of funds, they would all run out in 1983.

Mr. DANFORTH. 1983?

Mr. TOWER. Yes, what we are doing is taking money out of one pocket and putting it into another, but to the extent that it all runs out in 1983. We would have to act prior to that time.

Mr. DANFORTH. Replenishing the reserve at that time would become more difficult, because we would have less time—we would have less of a reserve; therefore, we would have to replenish more. The eventual increase, therefore, would have to be higher—

Mr. TOWER. I might say to the Senator from Missouri that I am not promising anyone a rose garden. What I am suggesting here is that we can meet the problem of ultimate bankruptcy in this way, over a short term. The commission would be required to report in January of 1980. We would have ample time, then, to act on that report. Hopefully, it would be sufficiently objective and statesman-like and sound that we could embody those recommendations in legislation that would give us a permanent solution, at least a long-range solution.

Mr. DANFORTH. I do want to commend the Senator on the second word of his answer to this problem. I think his decoupling approach is highly responsible. As a matter of fact, we have had a commission in existence for the past few years which has been something of a blue ribbon commission to study the problem of social security financing. One of the proposals that it made was to retain price indexes, which is, of course, what the committee would be interested in.

Mr. DOLE. Mr. President, will the Senator yield briefly?

Mr. TOWER. I yield to the Senator from Kansas.

Mr. DOLE. I just want to ask a question on the earnings limitation. How has the Senator from Texas modified his amendment in that area?

Mr. TOWER. What we did was simply incorporate the Goldwater amendment that was modified by the Church amendment that was adopted earlier this evening. That amendment stands. My provision was that there be a total removal of earnings limitations financed by a 1.25 tax to commence in the year 1979.

Mr. DOLE. I agree with the distinguished Senator's original proposal. Of course, we have modified it.

I want to point something out.

Mr. President, during the debate on the Church substitute to the Goldwater-Dole amendment there was a paper circulating in the well with some cost figures on the Goldwater-Dole amendment.

These cost figures were inserted into

the record by Senator CHURCH. The fact is, the figures are inaccurate. Senator CHURCH stated that the amendment to eliminate the earnings limitation would cost:

1982	-----	\$2.4
1983	-----	2.5
1984	-----	2.5
1985	-----	2.6
1986	-----	2.7
1987	-----	2.7

Or \$15.4 billion more than the committee bill.

That is incorrect. I believe the Senator from Idaho will admit to the inaccuracy.

While the Goldwater-Dole amendment does cost about \$1 billion more per year than the committee amendment in 1987, the fact is the Goldwater-Dole amendment would have cost only \$100 million more in the first 10 years than the committee amendment.

These figures are directly from the Social Security Administration. The cost difference between the Church substitute and the Goldwater-Dole amendment is no more than \$500 million in any year, not the \$2 billion represented by the Senator from Idaho.

While the mistake was inadvertent the record must be set straight. I believe that the vote would have been different if these inflated figures were not circulated.

I hope that the conference will adopt the House amendment.

There was a great deal of discussion about the cost of the Goldwater amendment; that it would cost \$15.4 billion more than the original bill was an inaccurate statement. I think the Senator from Idaho now understands it was not an accurate statement. I do not think it was made intentionally, but it was based on one of the Goldwater proposals that was not offered. As I said, I think the overestimation of costs might have cost Senator GOLDWATER a number of votes. I think the record should show what the actual costs are, because it might help in the adoption of this amendment.

Mr. TOWER. I might say I much prefer to eliminate the limitations altogether, but I am facing up to the realities of life here. The Senate has already acted, so I have incorporated that action of the Senate into my amendment.

Mr. CHURCH. Will the Senator yield for a comment?

Mr. TOWER. I yield to the Senator from Idaho.

Mr. CHURCH. It is true that the original figures that I placed in the RECORD related to an earlier version of the Goldwater amendment. That was a confusion that was not understood at the time. It has now been clarified and another set of figures have been inserted in the RECORD. I only want to state that the accurate set of figures still reflect a very substantial difference in cost between the Goldwater amendment and the Church amendment, a difference of \$400 million a year, increasing to \$600 million a year from 1983 to 1987. So the proper figures are now in the RECORD. The confusion has been corrected. I

think the basic fact that the Goldwater amendment is substantially more costly than the one that the Senate did adopt is substantiated by the accurate figures that have been included in the second chart.

Mr. TOWER. Mr. President, I am prepared to allow the manager of the bill the opportunity to use some of his time. I am also prepared to yield back the remainder of my time. I shall reserve that time for the time being.

Mr. NELSON. I thank the Senator for his generosity in allowing me to use some of my time.

Mr. TOWER. I am always delighted to be generous to my distinguished friend from Wisconsin, especially with his own resources.

Mr. NELSON. I yield to the Senator from South Dakota.

Mr. McGOVERN. Mr. President, I ask unanimous consent that Mr. Jeffrey Smith of my staff be granted the privilege of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, I ask unanimous consent that Mr. Bill Morris of the Finance Committee staff be granted the privilege of the floor during consideration of this bill.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. NELSON. Mr. President, the Finance Committee members are familiar with the proposal that was made by the Senator from Texas, because we heard testimony on it by Dr. Hsiao, a Harvard professor. I will say to the Members of the Senate that this provision, like both Senator CURTIS' proposal and the Fi-

nance Committee proposal, is fiscally sound. That is to say, they all levy the necessary taxes to pay the benefits provided. So there is not any question at all that, if the Senate adopted the proposal of the Senator from Texas, the security of the fund is guaranteed.

Now, there is one fundamental difference, but not only one distinction, between the proposal by the Senator from Texas respecting replacement rates and the two proposals that were made by the Senator from Nebraska and the proposal that the Finance Committee made on the question of retirement replacement rates.

That is to say, the percentage of the salary that employees retire at was the same in Senator CURTIS' two proposals as in the Finance Committee proposal. The Tower proposal would lower replacement rates.

The Tower amendment uses price indexing so that the replacement rate, which is the percentage of the final rate of earning, continually goes down, and that is the difference.

If the Senate wishes to make the decision that the percentage of the final rate of earning replaced by social security shall be substantially reduced, then the proposal of the Senator from Texas meets the standard of anybody who wishes to support that.

I will just give a few illustrative figures so that everybody will be familiar with what they are voting on.

Under the Finance Committee bill, the average worker would receive a replacement rate in retirement 43 percent of his earnings the year before retirement. That is to say, the average re-

placement rate would be stabilized at 43 percent from now on. It is at 46 percent in 1977.

The replacement rate would drop to 43 percent and it would remain at 43 percent of the final computed rate of earning that is used for that purpose.

Under the proposal in the amendment offered by the Senator from Texas, the replacement rate would go from 46 percent in 1979—which it is for all other proposals—to 41 percent in 1985; in 1990 to 38 percent; in 1995, to 36 percent. And it would continue on down when in the year 2050, it would reach 26 percent.

The replacement rate under the Tower amendment would be 26 percent, whereas the replacement rate under the Finance Committee proposal would remain at 43 percent for those earning the average income. Under the proposal of Senator CURTIS, the replacement rate also would have been 43 percent.

A lower replacement rate has the consequence, of course, of requiring less taxes. That is true. So if the objective is to reduce the replacement rate to 26 percent ultimately instead of freezing it at 43 percent, then Senator Tower's proposal should be adopted.

The proposal of the Senator from Texas costs less money in taxes than the Finance Committee plan. It produces a lower replacement rate, and that is the fundamental difference.

Mr. President, I ask unanimous consent to have printed in the Record at this point the comparative tables on the replacement rates of the two proposals.

There being no objection, the tables were ordered to be printed in the Record, as follows:

FINANCE COMMITTEE

BENEFITS, REPLACEMENT RATES, AND EXPENDITURES UNDER COMMITTEE BILL, 1979-2050

(In percent except dollars)

Year	Worker with average earnings ¹		Replacement rate for worker with—		Aggregate OASDI expenditures	
	Annual benefit in 1977 prices	Replacement rate	Low earnings ²	High earnings ³	As percent of payroll	As percent of GNP ⁴
1979	\$4,444	46	58	35	10.29	4.2
1985	4,713	43	54	30	10.56	4.3
1990	5,145	43	55	29	10.84	4.4
1995	5,581	43	54	30	11.29	4.5
2000	6,068	43	54	31	11.68	4.6
2010	7,172	43	54	32	12.88	5.0
2020	8,472	43	54	32	15.72	6.1
2030	10,011	43	54	32	17.86	7.0
2040	11,830	43	54	32	17.36	6.8
2050	13,978	43	54	32	16.81	6.6

Percent

Average medium-range cost (1977-2001)	10.93
Average medium-range revenue	11.83
Average medium-range balance	+ .90
Average long-range cost (1977-2051)	14.16
Average long-range revenue	14.22
Average long-range balance	+ .06

¹ Assumed to be 4 times the average 1st quarter covered earnings.

² Assumed at \$4,600 in 1976 and following the trends of the average.

³ Assumed at the maximum taxable under the program.

⁴ Based on full employment and assuming taxable payroll equals 41.1 percent of GNP.

⁵ Based on the present law benefit formula for all workers attaining age 62 before Jan. 1, 1979.

Note: The estimates in this table are based on the economic and demographic assumptions used in the intermediate cost estimates (alternative II) in the 1977 OASDI Trustees Report. The replacement rates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 65 with the earnings in the year immediately prior to retirement.

TOWER AMENDMENT

(Proposal recommended by panel of consultants to Congressional Research Service)

(Initial average benefit close to present law in 1979; workers earnings records CPI indexed; benefit formula bend points CPI indexed; benefit formula factors not indexed)

(In percent except dollars)

Year	Worker with average earnings ¹		Replacement rate for worker with—		Aggregate OASDI expenditures	
	Annual benefit in 1977 prices	Replacement rate	Low earnings ²	High earnings ³	As percent of payroll	As percent of GNP ⁴
1979	\$4,444	46	58	35	10.9	4.5
1985	4,508	41	53	30	11.0	4.5
1990	4,597	38	50	28	11.0	4.5
1995	4,713	36	47	28	10.8	4.4
2000	4,908	34	45	28	10.5	4.3
2010	5,360	32	42	27	10.6	4.3
2020	5,962	30	40	26	12.0	4.9
2030	6,665	28	37	25	12.8	5.3
2040	7,496	27	35	24	11.8	4.9
2050	8,477	26	32	23	10.9	4.5

Percent

Average medium-range cost (1977-2001)	10.8
Average medium-range revenue	9.9
Average medium-range deficit	-.9
Average long-range cost (1977-2051)	11.3
Average long-range revenue	11.0
Average long-range deficit	-.3

¹ Assumed to be 4 times the average 1st quarter covered earnings.

² Assumed at \$4,600 in 1976 and following the trends of the average.

³ Assumed at the maximum taxable under the program.

⁴ Based on full employment and assuming taxable payroll equals 41.1 percent of GNP.

Note: The estimates in this table are based on the economic and demographic assumptions used in the intermediate cost estimates (alternative II) in the 1977 OASDI Trustees Report. The replacement rates pertain to workers with steady employment at increasing earnings and compare the annual retirement benefit at age 65 with the earnings in the year immediately prior to retirement.

Mr. TOWER. Mr. President, I would just like to say that the Senator from Wisconsin has certainly stated the case fairly.

It is something of a Hobson's choice we have to make between benefits and taxes, and that is the choice. It is there, and I cannot say anything to ameliorate that.

I simply say, however, in terms of 1977 prices that the benefits would almost double from the year 1979 to the year 2050.

It would not, perhaps, enable the beneficiary to keep up with the Joneses, but it would enable him to meet the inflationary rate and it would be less costly and, I think in the final analysis, it would have less hazardous impact on the ultimate security of the social security system.

Mr. DANFORTH. Mr. President, will the Senator yield?

Mr. TOWER. I will yield, I believe the Senator from Missouri was on his feet first, and then I will yield to the Senator from Nebraska.

Mr. DANFORTH. Mr. President, we have indexing. If we were to retain price indexing rather than wage indexing, it would protect people who retire from the ravages of inflation. It would protect the purchasing power of their social security benefits from inflation. That is the purpose of indexing.

The difference between wage indexing and price indexing has to do with the social security tax rate that we are going to have to charge in the long term. Under the committee's bill, between 1986 and the year 2011 and thereafter, the social security tax rate is going to increase from 7 to 9.20 percent.

The fact of the matter is that if we had—

The PRESIDING OFFICER. The time of the Senator—

Mr. DANFORTH. Instead of wage indexing, we could freeze it.

The PRESIDING OFFICER. The Senator's time has expired.

Mr. TOWER. Mr. President, might I borrow some time from my good friend from Wisconsin to yield to the Senator from Nebraska?

Mr. CURTIS. Just 2 minutes.

Mr. NELSON. Yes, with interest.

Mr. CURTIS. I am sure there will be an interest in what I have to say.

Mr. NELSON. All right. What time does the Senator desire?

Mr. TOWER. Two minutes to the Senator from Nebraska.

Mr. NELSON. I yield 2 minutes to the Senator from Nebraska.

Mr. CURTIS. I thank my distinguished friend.

Mr. President, to the Senator from Nebraska, the big difference between the Tower amendment and the committee amendment is something different than has been discussed here. The Tower amendment is a temporary arrangement. It calls upon a report to give guidelines for us to follow meeting the long-range cost of social security.

So the advantage of the Tower amendment is twofold. It will avoid the matter of going to a program of doing away with

the balance, an employee paying half, an employer paying half. That has never been approved by a majority vote anywhere. In the committee it was 9 to 9. It has a majority of a Vice President, that is all.

It was a tie here. It is a departure. It should not be followed.

Here is a chance to take a temporary measure that has a commission report. It is not my choice. I would rather have us meet it right now, levy the taxes, be honest with the people, restore the fund.

Mr. NELSON. Mr. President, I am prepared to yield back the remainder of my time.

Mr. TOWER. My time has expired and I think we have debated it enough.

The PRESIDING OFFICER. All time has been yielded back. The yeas and nays have been ordered.

Mr. NELSON. Mr. President, I move to lay the amendment on the table.

The PRESIDING OFFICER. The question is on agreeing to the motion to table.

Mr. NELSON. I ask for the yeas and nays.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The question is on agreeing to the motion of the Senator from Wisconsin to table the amendment of the Senator from Texas. On this question the yeas and nays have been ordered, and the clerk will call the roll.

The assistant legislative clerk called the roll.

Mr. CRANSTON. I announce that the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Nevada (Mr. CANNON), the the Senator from Arizona (Mr. DeCONCINI), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RIBICOFF), the Senator from Tennessee (Mr. SASSER), the Senator from Alabama (Mr. SPARKMAN), the Senator from Mississippi (Mr. STENNIS), the Senator from Nebraska (Mr. ZORINSKY), the Senator from Mississippi (Mr. EASTLAND), the Senator from Montana (Mr. METCALF), and the Senator from South Dakota (Mr. ABOUREZK) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "yea."

On this vote, the Senator from Connecticut (Mr. RIBICOFF) is paired with the Senator from North Carolina (Mr. MORGAN). If present and voting, the Senator from Connecticut would vote "yea" and the Senator from North Carolina would vote "nay."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Massachusetts (Mr. BROOKE) the Senator from Arizona (Mr.

GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Oregon (Mr. PACKWOOD), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD), the Senator from North Carolina (Mr. HELMS), and the Senator from Alaska (Mr. STEVENS) would each vote "nay."

The result was announced—yeas 48, nays 21, as follows:

[Rollcall Vote No. 630 Leg.]

YEAS—48

Allen	Gravel	Melcher
Anderson	Hart	Metzenbaum
Bayh	Haskell	Moynihan
Bumpers	Hathaway	Nelson
Burdick	Heinz	Nunn
Byrd, Robert C.	Hollings	Pell
Case	Inouye	Proxmire
Chafee	Jackson	Randolph
Chiles	Javits	Riegle
Church	Kennedy	Sarbanes
Clark	Leahy	Stafford
Cranston	Long	Stevenson
Culver	Magnuson	Talmadge
Durkin	Mathias	Williams
Eagleton	Matsunaga	
Ford	McGovern	
Glenn	McIntyre	

NAYS—21

Baker	Garn	Schweiker
Bellmon	Griffin	Stone
Byrd,	Hansen	Thurmond
Harry, F., Jr.	Laxalt	Tower
Curtis	Lugar	Wallop
Danforth	McClure	Young
Dole	Roth	
Domenici	Schmitt	

NOT VOTING—31

Abourezk	Hayakawa	Percy
Bartlett	Helms	Ribicoff
Bentsen	Huddleston	Sasser
Biden	Humphrey	Scott
Brooke	Johnston	Sparkman
Cannon	McClellan	Stennis
DeConcini	Metcalfe	Stevens
Eastland	Morgan	Weicker
Goldwater	Muskie	Zorinsky
Hatch	Packwood	
Hatfield	Pearson	

So the motion to lay on the table was agreed to.

Mr. NELSON. Mr. President, I move to reconsider the vote by which the motion to lay the amendment of the Senator from Texas on the table was agreed to.

Mr. JAVITS. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

UP AMENDMENT NO. 1067

(Purpose: To eliminate the monthly retirement test.)

Mr. CHILES. Mr. President, I send to the desk an unprinted amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Florida (Mr. CHILES) proposes unprinted an amendment numbered 1067.

Mr. CHILES. Mr. President, I ask unanimous consent that the reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

Insert at the appropriate place the following:

ELIMINATION OF THE RETIREMENT TEST MONTHLY MEASURE EXCEPT FOR THE INITIAL YEAR IN WHICH MONTHLY BENEFIT IS RECEIVED

SEC. 130. (a) Clause (E) of the last sentence of section 203(f)(1) of the Social Security Act (as amended by section 121(d) of this Act) is further amended by inserting before the period at the end thereof the following: ", if such month is in the taxable year in which occurs the first month that is both (i) a month for which the individual is entitled to benefits under subsection (a), (b), (c), (d), (e), (f), (g), or (h) of section 202 (without having been entitled for the preceding month to a benefit under any other of such subsections), and (ii) a month in which the individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5)) of more than the exempt amount as determined under paragraph (8)".

(b) The amendment made by subsection (a) shall apply only with respect to monthly benefits payable for months after December 1977.

Mr. CHILES. Mr. President, I am offering an amendment to change the monthly earnings test to an annual test for purposes of determining whether an individual is retired and thus eligible for social security benefits.

I think we should encourage older people to keep working to the degree that they are still physically able to. More than any economic considerations, the work situation provides a valuable social support that prevents the loneliness and isolation which so many of the elderly suffer. I have long supported increasing the level of allowable retirement earnings in order to encourage continued employment, and I congratulate the Finance Committee for providing significant increases in this bill.

At the same time, I believe it is necessary to be as fair as possible in how we calculate the earnings limit. One flaw in the current law is that it allows an individual to be retired in 1 month, working in another, and so on, without regard to how much is earned in the working months. Many people can regulate their flow of income by reasons of self-employment or ownership of a business. Thus, they can earn \$100,000 in 3 months of the year, then "retire" and draw social security benefits for the rest of the year. They can then go back to work again the next year and repeat the pattern. Social security is for them just a bonus piece of income. At the same time, we tell a salaried employee that we will reduce his benefits 50 percent for any earnings over \$3,000. This is obviously unfair and discriminates against the salaried workers who tend to have lower incomes. The Social Security Administration estimates that about 80,000 persons currently avoid the earnings limitation by this mechanism.

My amendment would correct this flaw by calculating the earnings limit on an annual basis. This improvement was recommended by President Carter in his 1978 budget. It was also recommended

by the previous administrations in their budgets. It has also been recommended by the Social Security Advisory Commission, an independent body that is appointed by the Secretary of HEW to oversee the soundness of the system.

It was included in the House-passed version of the bill. Now that we have a bill to make major changes in social security financing and increase the earnings limit, it is a good time to correct some of the flaws which have been draining the trust fund. This amendment will save \$174 million in fiscal year 1978, \$234 million in 1979 and more in later years. If we can cut down on a lot of these flaws in the benefit structure, we can minimize the tax increases necessary to keep the system solvent and pay a decent level of benefits to our retirees.

Mr. President, in order to make sure that the effects of this amendment would not have any negative effects on low-income workers, I asked the Social Security Administration to calculate the number of persons at each income level who would have their earnings reduced. I ask unanimous consent to print a table showing the results in the RECORD.

There being no objection, the table was ordered to be printed in the RECORD, as follows:

TABLE I.—Percent of workers with reduced benefits under annual retirement test, by income (Data from 1975)

[Percent of workers with reduced benefits]	
Annual earnings:	
Less than \$3,900.....	1
\$3,900—\$5,400.....	6
\$5,400—\$8,400.....	20
\$8,400—\$11,400.....	26
\$11,400—\$14,100.....	14
More than \$14,100.....	32

All workers (Total does not add due to rounding)..... 100

Mr. CHILES. Mr. President, it is clear that no more than 1 percent of the affected workers earns less than the expanded earnings limit of \$3,900. That is, 99 percent are using this mechanism to avoid the limits we are imposing on low-income workers who work every month of the year. Even assuming an increase in the earnings limit to \$6,000 as provided in the Finance Committee bill, 93 percent of the affected workers would be exceeding the annual limit by means of the monthly computation.

I hope my colleagues will join me and support this amendment so that we can keep social security retirement benefits directed to those who really need them.

Mr. CURTIS. Mr. President, will the distinguished Senator yield?

Mr. CHILES. I yield.

Mr. CURTIS. We had an opportunity to examine the statement of the distinguished Senator from Florida, and I am speaking for the manager of the bill also. We are willing to take the amendment.

Mr. CHILES. I think this could be a cost-saving amendment. I think it is also fair that it be determined on this basis.

I thank the distinguished ranking minority member, and I urge adoption of the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Florida.

The amendment was agreed to.

UP AMENDMENT NO. 1068

(Purpose: To freeze minimum benefit.)

Mr. CHILES. Mr. President, I send to the desk another unprinted amendment and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The assistant legislative clerk read as follows:

The Senator from Florida (Mr. CHILES) proposes unprinted amendments numbered 1068.

Mr. CHILES. Mr. President, I ask unanimous consent that reading of the amendment be dispensed with.

The PRESIDING OFFICER. Without objection, it is so ordered.

The amendment is as follows:

FREEZE OF THE MINIMUM BENEFIT AT THE DECEMBER 1978 LEVEL

In lieu of the matter proposed to be inserted by section 104(a) as a new subparagraph (C)(1) of section 215(a)(1) of the Social Security Act, insert the following:

"(C)(1) No primary insurance amount computed under subparagraph (A) may be less than—

"(I) the dollar amount set forth on the first line of column IV in the table of benefits contained in this subsection as in effect in December 1978, rounded (if not a multiple of \$1) to the higher multiple of \$1, or

"(II) an amount equal to \$9 multiplied by the individual's years of coverage in excess of 10,

whichever is greater. No increase under subsection (1) shall apply to the dollar amount specified in subdivision (I) of this clause."

Paragraph (8) of section 104(g) is amended by striking out everything that follows "sentence" and inserting in lieu thereof a period.

Mr. CHILES. Mr. President, I am offering an amendment to freeze the minimum benefit at the level of \$121 which it is expected to reach on January 1, 1979. This is the same provision which passed the House without controversy last week. The Congressional Budget Office estimates this amendment will save \$193 million between now and 1983.

The minimum benefit is a classic example of the need for sunset legislation. It was a good idea when first adopted, but it has outlived its purpose. The original intent of the minimum was to provide a floor for low-wage workers and to keep the Social Security Administration from having to write checks for very small amounts. Several events have eliminated these needs. In 1972 Congress created a special benefit structure for persons with many years of work at low wages, thus meeting the primary need for a floor on benefits. At the same time we created the supplemental security income program which takes care of low-income elderly, including those persons with only a few years of work history. Benefits under both of these provisions greatly exceed the social security minimum benefit. Finally, the age of computers makes it easy to apply the benefit computation formulas at any level and issue an appropriate check.

As conditions and benefit structures have changed, two types of individuals have emerged as recipients of the minimum benefit. First, we have individuals who work most of their adult life in government jobs which are not covered by social security. Since their jobs are not

covered, they do not contribute to the trust funds. However, many government pension systems, including the Federal one, have generous provisions for early retirement. As a result, government workers may retire while they are still active and healthy, work a few years in private jobs covered by social security, then qualify for the minimum benefit. In these cases, the individual receives a benefit greatly exceeding what he would get based on his actual earnings and contribution to the trust fund. Of course he is also double dipping by drawing down his government pension in addition to the \$1,400 a year in social security. While I think we should encourage older workers to keep working if they are healthy and active, we ought not to burden the system with paying benefits to persons who have not made an appropriate contribution.

Mr. President, I believe we really ought to freeze the minimum benefit for current beneficiaries and eliminate it for future retirees. The future recipients are not those who have put in long years of work and contributed to the trust fund in the expectation of receiving a specified level of social security benefits. However, when Mr. CORMAN offered that as an amendment in the House, it was defeated. I am therefore offering the same provision as in the House bill, which provides a very gradual transition, simply letting the value of the minimum benefit erode by excluding it from the provision that automatically increases benefits to match price changes.

I think the House was also wise to increase the special minimum benefit from \$9 to \$11.50 per covered year. In contrast to the regular minimum benefit, the special minimum only covers persons with over 10 years of covered employment. It is thus protected against double dipping or from providing benefits to persons with a minimal attachment to the work force. The \$9 multiplier has not been updated for inflation since the original amendment was adopted in 1972. However, since the House provision would not take effect until 1979, it would be out of order under the Budget Act. I feel very strongly that we should not be circumventing the budget process by passing future benefits that have not competed against other needs and priorities in the deliberations on the first budget resolution. I have therefore omitted that provision from my amendment and hope that we will be able to adopt it next year.

Mr. President, I hope my colleagues will join me in adopting this cost-saving improvement.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. CHILES. I yield.

Mr. CURTIS. I believe this is a good amendment. I talked it over with the distinguished manager of the bill, and we are willing to take this one also.

Mr. CHILES. I thank the distinguished ranking minority member.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Florida.

The amendment was agreed to.

UP AMENDMENT NO. 1069

(Purpose: To correct a technical error in the bill.)

Mr. NELSON. Mr. President, I send to the desk a technical amendment and I ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Wisconsin (Mr. NELSON) proposes an unprinted amendment numbered 1069.

The amendment is as follows:

In section 124(b) of the bill, strike out "3102, 3111," and insert in lieu thereof: "3301, 3302."

Mr. NELSON. Mr. President, this changes numbers in the bill. And it has been cleared on both sides.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Wisconsin.

The amendment was agreed to.

The PRESIDING OFFICER. Are there further amendments to be proposed?

UP AMENDMENT NO. 1070

(Purpose: Relating to coverage under Medicare of certain devices which are designed to serve the same or similar purpose as that performed by a wheelchair.)

Mr. GRIFFIN. Mr. President, I send an amendment to the desk and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Michigan (Mr. GRIFFIN) proposes an unprinted amendment numbered 1070.

At the appropriate place in the Act, insert the following new section:

COVERAGE UNDER MEDICARE OF CERTAIN DEVICES SERVING THE SAME SIMILAR PURPOSE AS THAT PERFORMED BY A WHEELCHAIR

Sec. (a) Section 1861 (s) (6) of the Social Security Act is amended by inserting after the word "wheelchairs" the following: "(and devices designed to serve the same or similar purpose as that performed by a wheelchair)."

(b) The amendment made by this section shall be effective in the case of services furnished after the date of enactment of this Act.

Mr. GRIFFIN. Mr. President, I have discussed this amendment with the managers of the bill on both sides of the aisle.

This amendment is offered primarily because the bureaucracy in HEW has taken a very arbitrary view interpreting the word "wheelchair" in the Social Security Act as it applies to Medicare, and has precluded the coverage of a very fine electric-powered vehicle that is produced in my State specifically for handicapped and invalid people.

The best way to describe what it is is the thing that Margaret Chase Smith used following her operation when she went back and forth from the Senate Office Building over here. Former Senator Charlie Potter had one of these.

They are very maneuverable. They allow a person who is handicapped to get about his home in a dignified way. All handicapped people cannot use them. But it is a great improvement over the

wheelchair for many handicapped people.

This amendment is to make it clear to HEW that this should be considered. It is developed and manufactured by a small company in Michigan and the Veterans' Administration has approved it, but the bureaucracy of HEW so far has not.

Mr. President, section 1861(s)(6) of the Social Security Act (now 42 U.S.C. § 1395X(s)(6)), allows for Medicare coverage of "durable medical equipment, including . . . wheelchairs used in the patient's home."

Until 1976, the bureaucracy at HEW interpreted the statute to cover the AMIGO wheelchair which is manufactured in Bridgeport, Mich. However, in that year, for no good reason, the regulations were "revised" to preclude the AMIGO wheelchair from Medicare coverage.

Because the AMIGO wheelchair is manufactured in my State of Michigan. I have written to officials at HEW on several occasions requesting an explanation for the change in policy. The justification I received can best be characterized as bizarre and ridiculous.

In its reply to my letters, HEW officials refer to the AMIGO wheelchair as a golf cart-type vehicle which could be used by those who are not sick or injured. They also compared the AMIGO wheelchair to room air-conditioners and bathtubs.

This is ridiculous. The AMIGO is not a golf cart-type vehicle; it is used by those who are sick or handicapped and it is used by the patient in his home.

Mr. President, 8 years ago, Allan Thieme of Bridgeport, Mich., designed the first AMIGO wheelchair for his wife, who was suffering from multiple sclerosis and had been using a conventional wheelchair. The AMIGO gives handicapped people more mobility and greater variation of activity than was available with conventional wheelchairs. He accomplished this by making the AMIGO lighter in weight, narrower in width, more maneuverable, and easier to transport than conventional wheelchairs.

As one example of the AMIGO's ability to give the handicapped greater mobility, the chair is equipped with a swivel seat that allows the user to pull up to a normal desk or table and function comfortably without undue awkwardness. In addition, the AMIGO's narrower width allows users to get through doorways—particularly in private homes—that conventional models cannot negotiate.

I first saw the AMIGO wheelchair in operation several years ago when our friend, former Senator Charlie Potter rode one into my Senate office. Senator Potter's enthusiasm for the AMIGO helped to make me a believer. Later, I saw the AMIGO wheelchair used by our former colleague, Margaret Chase Smith, following an operation.

True to the American spirit of building a better mouse trap, the AMIGO has caught on and is being used by several thousand handicapped Americans. It is very strange that the HEW bu-

reaucracy has been so arbitrary in its refusal to make this device available.

It should be pointed out that the AMIGO wheelchair has been approved by the VA for VA beneficiaries. And, it should be noted that the AMIGO has undergone extensive testing at the prestigious Institute of Rehabilitation at New York University Medical Center, and been found superior to conventional wheelchairs for many handicapped persons.

Mr. President, this amendment and this legislative history should make it clear, once and for all, that the AMIGO is a wheelchair within the meaning of the statute.

Mr. CURTIS. Mr. President, will the distinguished Senator yield?

Mr. GRIFFIN. I yield to the Senator from Nebraska.

Mr. CURTIS. Mr. President, we had an opportunity to examine the amendment. We believe it is in the interest of the beneficiaries that use these machines as well as the social security fund, and we are willing to accept it.

Mr. GRIFFIN. Incidentally, it will cost less than electric-powered wheel chairs that are now being authorized for payment.

Mr. CURTIS. The distinguished manager of the bill joins me in willingness to accept the amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Michigan.

The amendment was agreed to.

UP AMENDMENT NO. 1071

Mr. DOLE. Mr. President, I send an amendment to the desk on behalf of myself and the distinguished Senator from New York (Mr. MOYNIHAN) and ask for its immediate consideration.

The PRESIDING OFFICER. The amendment will be stated.

The legislative clerk read as follows:

The Senator from Kansas (Mr. DOLE), for himself and Mr. MOYNIHAN proposes an unprinted amendment numbered 1071.

The PRESIDING OFFICER. Without objection, further reading of the amendment will be dispensed with.

The amendment is as follows:

At the appropriate place, insert the following:

SEC. . (a) Section 328 of the Federal Election Campaign Act of 1971 (2 U.S.C. 4411) is amended—

(1) by inserting "(a)" immediately after "Sec. 328.", and

(2) by adding at the end thereof the following new subsections:

"(b) If an honorarium payable to a person is paid instead at his request to a charitable organization selected by payor from a list of 5 or more charitable organizations provided by that person, that person shall not be treated, for purposes of subsection (a), as accepting that honorarium. For purposes of this subsection, the term 'charitable organization' means an organization described in section 170(c) of the Internal Revenue Code of 1954.

"(c) For purposes of determining the aggregate amount of honoraria received by a person during any calendar year, amounts returned to the person paying an honorarium before the close of the calendar year in which it was received shall be disregarded.

"(d) For purposes of paragraph (2) of

subsection (a), an honorarium shall be treated as accepted only in the year in which that honorarium is received."

(b) The amendments made by subsection (a) shall apply with respect to honoraria received after December 31, 1976.

Mr. DOLE. Mr. President, let me say at the outset this would add a new section to the end of the bill. It is a matter that the Senator from Kansas and the Senator from New York have discussed with the distinguished chairman of the Rules Committee, the Senator from Nevada (Mr. CANNON), and the distinguished ranking Republican, the Senator from Oregon (Mr. HATFIELD). We discussed it with the distinguished Senator from Illinois (Mr. STEVENSON), chairman of the Ethics Committee, and the distinguished Senator from New Mexico (Mr. SCHMITT), the ranking Republican, and with the distinguished Senator from Nebraska (Mr. CURTIS), and the distinguished Senator from Wisconsin (Mr. NELSON), and the distinguished Senator from Louisiana (Mr. LONG).

Let me state very quickly just what it does.

We are trying to make some legislative history and to offset some of the FEC rulings with reference to restrictions on officers and employees of the Federal Government under compliance with the honorarium provisions of the Federal election law. It does not change the limit. It simply states three things.

First of all, it gives you the right to treat as a charitable contribution, if the payee wants to select one of five charitable contributions. You can do so. That is No. 1. It gives you the right to return honoraria. That is No. 2. Many people thought there was no problem with that if FEC says there is not.

Second, it says, as we do all other income, you count honoraria in the year it is received. That is all it does. It is a housekeeping amendment offered by the distinguished Senator from New York and myself.

Mr. CURTIS. Mr. President, will the Senator yield?

Mr. DOLE. I yield.

Mr. CURTIS. As stated by the distinguished Senator from Kansas he has cleared this with a number of chairmen and ranking minority members of committees somewhat involved.

The distinguished manager of this bill and I both join in accepting the amendment. We believe it a wise and fair amendment.

The PRESIDING OFFICER. The question is on agreeing to the amendment of the Senator from Kansas.

The amendment was agreed to.

AN IMPORTANT IMPROVEMENT IN THE DELIVERY OF SOCIAL SECURITY BENEFIT CHECKS

Mr. PELL. Mr. President, I am delighted that H.R. 9346, the social security refinancing bill we are debating here today, contains an important measure, which I introduced earlier this session, to improve the delivery of social security checks to millions of beneficiaries.

This early check delivery amendment, contained in section 126 of the committees bill, would change the statutes to provide that where the ordinary delivery date for a social security retirement, dis-

ability, or SSI check falls on a weekend or on a Monday national holiday, the check shall be mailed and dated so as to arrive early, on the preceding Friday. In this way, the millions of beneficiaries of these vitally important programs can cash and use their checks on time, rather than 2 or 3 days late.

This section of the committee bill derives from S. 543 a bill which I introduced along with Senator HATHAWAY and many other cosponsors on January 31 of this year. Another section of that bill, which provides similar early mailing regulations for veterans benefit checks, has already passed the Congress and has been signed into law by the President. I would urge my colleagues to support this bill including this early check delivery provision, and I hope that before too long we will have enacted a comprehensive and, on the part of millions of beneficiaries very much welcome, reform of benefit check delivery practices.

Mr. BARTLETT. Mr. President, the bill presently before us purports to address the financing problems of the social security system. The bill, however, is simply a tax increase with provisions to dip into general revenues should the system again have serious financial difficulties. This is not a solution to the system's problems. By increasing the taxes, Congress invites future flagrant abuses in the nature of additional benefit programs which have no relationship to the original purpose of social security. The addition of these very types of programs is the cause of the existing fiscal difficulties with the system.

A number of my colleagues have spoken out against the hasty consideration of this legislation, and I would like to associate myself with these remarks.

The social security system has become the resting place of many programs which are totally unrelated to the protection of this Nation's senior citizens. These are programs which are more related to our social welfare programs but have been included under social security. These include such things as disability income and medicare. It is my belief that to recommend significant tax increases contained in this legislation without addressing the whole array of welfare programs, both within and without the social security system, continues the tenuous basis on which social security has come to rest.

Before we raise taxes on employers and employees, we should consider separating out those programs which are unrelated to the security of senior citizens. These programs should be specifically identified to the voters in committee hearings of both Houses and on the floor in extended debates.

There are several provisions which I believe are well founded, and which I congratulate the Finance Committee for addressing. These specific sections are:

(A) The decoupling provision which was necessitated by previous errors on the part of Congress. The Committee has acted to correct this provision, and I congratulate them for their expeditious action.

(B) The inclusion of provisions to delete sections which treat men and women differently under the Social Security Act.

These two select provisions do not overshadow the major problem with the legislation. The tax increases fly in the face of general public attitudes about the system. I have received many telephone calls in my State and Washington offices against the tax increase, and my mail has been overwhelmingly against the increase.

Mr. President, I ask unanimous consent to insert at this point in the *RECORD* a copy of a survey done by Cities Service Co. on the social security proposals. This survey is representative of the type of mail I have been receiving. The figures in the survey concerning the use of general revenues to finance the system, the payment of a larger portion of the tax by employers, the increase in the tax, and the discontinuance of the system are particularly significant.

The Cities Services employees, and the

public, are not only skeptical, but incensed at the continued expansion of programs under the social security system. This expansion of programs has led to continued tax increases which lag behind the actual expenditures for benefits.

I would like to make one last point. Mr. President, I ask unanimous consent to have inserted at this point a copy of two pages from an informational bulletin published by the Social Security Board in 1936.

My colleagues should note that under the section entitled "Taxes" the rates are explained, and at the end of the subsection entitled "Your part of the tax" the following statement is made: "That is the most you will ever pay." Mr. President, this is only one of many broken promises to the American public, and I believe that the voters of this Nation recognize the folly in our present action.

There being no objection, the material

was ordered to be printed in the *RECORD*, as follows:

TULSA, OKLA.,
September 14, 1977.

HON. DEWEY F. BARTLETT,
U.S. Senate,
Washington, D.C.

DEAR SENATOR BARTLETT: Recently, Cities Service Company mailed the enclosed article on proposed Social Security legislation, along with a questionnaire, to its employees and annuitants.

The results of the enclosed survey represent the opinions of our employees and annuitants and are not intended to reflect the position of Cities Service.

To date, more than 500 responses have been received from persons residing in over 200 communities in 33 states. Response to the questionnaire was voluntary and not structured so as to represent a scientific sampling. Nevertheless, I feel that these opinions received from such a wide area, may be of value to you.

Sincerely,

R. C. MOORE.

Cities service employees and annuitants voice their opinions on social security

(In percent)

Do you favor	Yes	No	Undecided	Do you favor	Yes	No	Undecided
Decoupling, to eliminate compensating retirees doubly for inflation.....	64	21	15	Increasing tax on both employees and employers	32	50	18
Using general revenue funds from the Treasury to help pay cost of social security.....	31	53	16	Discontinuing present social security system, after current obligations are met, and replacing it with a voluntary program.....	46	40	14
Employers paying a larger tax to help pay for social security	12	67	21				

In summary, Cities Service respondents favor only one of President Carter's Social Security proposals, i.e., "decoupling." Respondents sharply oppose the President's proposals to increase taxes on employees or employers and are also in opposition to the use of general revenue funds for Social Security. These measures are two of the key elements in the President's legislative package.

In addition to responding with opinions on current legislative proposals, respondents also took the time to write additional comments regarding what they felt should be done to improve the "System." The major suggestion, made by 32 percent of those commenting, was to make the Social Security system function as it was originally intended, i.e., balance inflow and outflow. Respondents felt that this could be accomplished by:

- (1) paying contributors only—not survivors, disability cases, etc., and
- (2) stopping benefit increases until Social Security is brought under control

THE GENERAL CONSENSUS

Cities' employees and annuitants who responded favor "decoupling." It is estimated that this action could reduce the system's projected deficit by 50 percent. Of the realistic alternatives remaining—namely, either raising taxes and/or cutting back benefits, respondents favor reduced benefits over increased taxes.

SECURITY IN YOUR OLD AGE

(To employees of industrial and business establishments—factories, shops, mines, mills, stores, offices, and other places of business.

(Beginning November 24, 1936, the United States Government will set up a Social Security account for you, if you are eligible. To understand your obligations, rights, and benefits you should read the following general explanation:)

The same law that provides these old-age benefits for you and other workers, sets up certain new taxes to be paid to the United States Government. These taxes are collected by the Bureau of Internal Revenue of the U.S. Treasury Department, and inquiries concerning them should be addressed to that bureau. The law also creates an "Old-Age Reserve Account" in the United States Treasury, and Congress is authorized to put into this reserve account each year enough money to provide for the monthly payments you and other workers are to receive when you are 65.

YOUR PART OF THE TAX

The taxes called for in this law will be paid both by your employer and by you. For the next 3 years you will pay maybe 15 cents a week, maybe 25 cents a week, maybe 30 cents or more, according to what you earn. That is to say, during the next 3 years, beginning January 1, 1937, you will pay 1 cent for every dollar you earn, and at the same time your employer will pay 1 cent for every dollar you earn, up to \$3,000 a year. Twenty-six million other workers and their employers will be paying at the same time.

After the first 3 years—that is to say, beginning in 1940—you will pay, and your employer will pay, 1½ cents for each dollar you earn, up to \$3,000 a year. This will be the tax for 3 years, and then, beginning in 1943, you will pay 2 cents, and so will your employer, for every dollar you earn for the next 3 years. After that, you and your employer will each pay half a cent more for 3 years, and finally, beginning in 1940, twelve years from now, you and your employer will each pay 3 cents on each dollar you earn, up to \$3,000 a year. That is the most you will ever pay.

Mr. ROTH. Mr. President, there is no question that action must be taken to restore financial stability to the social

security trust fund. Social security is the first and major ingredient for financial security for many of our senior citizens and it is absolutely necessary for steps to be taken to save the system.

However, I am deeply concerned that the proposed legislation is not the right answer to our social security problems.

Because of the amount of time spent on the energy bill, neither the Finance Committee nor the Senate had enough time to adequately consider this bill and to explore the whole range of alternatives.

For example, I proposed an amendment to use a portion of any new energy tax revenues to help the social security system. This amendment could have allocated billions of dollars to the social security trust fund, and reduced the need for social security taxes proportionately.

There are more than 100 million people paying taxes to support the social security system, and my amendment would have provided some tax relief to all of them while still restoring financial stability to the trust fund.

Unfortunately, the Senate refused to accept my amendment to ease the tax burden on working Americans.

I am concerned the substantial tax increases will have a devastating impact on the economy. In addition, I fear the higher tax burden will erode the public's support for the social security system and put pressure on Congress to reduce, or at least not increase, social security benefits for senior citizens.

Therefore, I cannot support this bill. I believe Congress should go back to the

drawing boards and make this the first order of business.

INCREASED PAYROLL TAXES NOT A GOOD METHOD FOR FINANCING SOCIAL SECURITY

Mr. McGOVERN. Mr. President, while I fully support the need to restore financial integrity to our social security system and while I strongly favor providing ample assistance to those who have contributed to this system, I nonetheless will be casting a symbolic vote against H.R. 9346, the Social Security Financing Amendments of 1977. I register a "no" vote because of my conviction that the additional cost of social security should be covered by general revenues—not by additional payroll taxes on workers and employers.

Earlier this week, I joined with 15 of my colleagues in an unsuccessful attempt to move the financial footing of the system away from exclusive reliance on payroll taxes. My distinguished colleague from Missouri (Mr. EAGLETON) moved to recommit this bill to the Finance Committee with instructions to report back a bill to authorize appropriations out of general revenues to cover not less than 4 percent of the total cost of the bill. This, of course, was a version of the administration's proposal to introduce general revenue funds as one source of the funds which would be used to shore up the financial foundation of the system. The administration proposal was criticized as turning social security into another welfare program and not the insurance system that it was intended to be. That it would destroy a person's sense of paying for their own retirement. Given the reality that those presently paying into the system are paying the benefits of those already retired, it is not clear how the use of general revenue funds would change this.

It seems to me that the more important point to raise is that continued reliance on the payroll tax will have increasingly negative impacts on our economy. Increasing payroll taxes will both add to inflationary pressures and will aggravate unemployment. I would note that we are not doing well on either of these fronts even without the additional stress of higher payroll taxes. Most economic forecasts are for much reduced growth in the months ahead. Already this week, we have been advised that the wholesale price index is again spurring upward and the unemployment rate for October was up a tenth of a point; again to the 7 percent level.

What will be the consequence of higher payroll taxes? Small businessmen in my home State of South Dakota have told me that they will try to pass part of the increase on in the form of higher prices. They would also be forced to reduce their labor force. For employees the increase will result in less disposable income and presumably less spending which will also act to slow the economy.

There has been increasing speculation that the administration will find it necessary to propose a tax cut early next year to revive the economy and that this in turn will tend to offset the drain of \$10 billion caused by the increases proposed in the bill before us. This is really

only a round about way of using general revenue funds to support social security financing. One final, but very important point in this connection is that the income tax is a far more equitable way of financing than are the regressive payroll tax. I firmly believe that we must turn away from our increasing reliance on payroll taxes and toward the use of general revenue funds to finance our social security system.

In closing, I want to indicate my strong support for one particular aspect of the bill before us. That is the amendment of my colleague from Idaho (Mr. CHURCH), which will increase the earnings limitation. I believe that it is entirely proper that some upward adjustment be made to reflect the reduced purchasing power that these additional earnings represent in an economy subjected to continued inflation.

While the financial integrity of the system has been reestablished, we must certainly contemplate moving it away from its reliance on higher and higher payroll taxes.

Mr. CHURCH. Mr. President, reluctantly, I must vote against the bill for the same reasons that led me to favor the motion to recommit the bill yesterday.

I ask unanimous consent that the explanation I gave at that time be inserted here in the RECORD.

There being no objection, the material was ordered to be printed in the RECORD, as follows:

I oppose this legislation. I will vote to recommit it because it provides for a huge tax increase—one of the largest in history—and a highly regressive tax, at that. The Social Security tax, like the sales tax, falls hardest on those less able to pay.

I recognize that the Social Security System must remain solvent. But I had hoped that it would be possible to fashion a bill that would not only meet the fiscal needs of Social Security, but also accomplish other objectives as well.

For example, this country needs a much-improved comprehensive medical program for the elderly, the handicapped, and the poor. We need a program that eliminates the gaps that now exist between coverage under Medicare and Medicaid.

I feel that Medicare should be removed from the Social Security trust fund and financed, instead, through general revenues. Medicaid is already financed this way, and the two should be blended into a uniform system. General revenues come mainly from the income tax, so that the financing would be made progressive in nature, rather than regressive.

If we were to remove Medicare from Social Security as part of a general overhaul, it would lift a big burden from the Social Security trust fund. That, in turn, would make it possible for us to lower substantially the rate increase contemplated by this bill.

Accordingly, I will cast my vote to recommit this bill and introduce legislation designed to accomplish these objectives soon after Congress reconvenes next year.

Mr. HANSEN. Mr. President, I will vote against final passage of this legislation, because I believe that the proposal of the Finance Committee, while it does much to restore the integrity of the social security system, makes momentous changes in the fundamental philosophy of social security.

At its inception, this program was designed to supplement the incomes of retired workers, through the shared financial contributions of employers and employees. I emphasize this concept of parity, because I believe that that philosophy of sharing gave the program credibility for employees who recognized that they were contributing toward their own futures, and not simply receiving a welfare benefit. During the deliberations on this bill, three attempts were made to restore parity. I supported each, because I believe American workers prefer to believe that they are taking responsibility for their own futures, rather than leaving their own future security to others.

It is regrettable that the Finance Committee and the Senate chose to place a heavier tax burden on employers than on employees. Such action may well put heavy pressure on already burdened employers as they enter into negotiations for future benefits for their employees. Moreover, it suggests to Americans that they do not have a full measure of responsibility to provide for their old age or disability. Because I have faith that Americans do wish to pay their fair share of premiums for the social security insurance programs, I vote against the Finance Committee bill.

I also vote against the bill, because it continues to rely on indexing for its primary benefit formula structure. I would suggest that indexing got the fund into its present straits, so I see no reason to continue to rely on such an unpredictable and unreliable foundation.

Notwithstanding these reservations, I applaud the chairman for having the courage to lead the Senate to restore the confidence of the American people in the social security system.

SOCIAL SECURITY FINANCING

Mr. CHILES. Mr. President, I think it is important that Congress take action to correct the problems in financing social security. However, I am voting against final passage of the bill because I think it was brought out too close to the end of the session for the Senate to give it the kind of careful consideration it deserves. The report of the committee was not even available until after consideration of the bill had begun. The Finance Committee bill involves the first total overhaul of social security financing we have ever made since 1933. It represents the biggest peacetime tax increase in decades. It involves major benefit changes that will affect future year budget deficits by billions of dollars. The Senate has not had adequate time to consider exactly who will be getting the benefits, who will be paying higher taxes and what the economic effects of these changes will be. No other law affects as many individuals directly and indirectly as social security. Practically, all workers, all businesses, all families have their present and future livelihood affected.

I chaired the conference on this year's Congressional Budget Resolution which called for speedy action to correct the flaws in social security financing. For each of the 3 years the Budget Com-

mittee has been in existence, I have succeeded in getting it on record for "decoupling" the benefit structure, which is the major key to restoring the integrity of the trust fund. However, the reason I helped create the congressional budget process was so that we would have an orderly way to consider major changes in taxes and expenditures. All the studies by Congress and the administration have shown that the social security trust fund will still have reserves of over \$40 billion by the end of 1978. There would thus be plenty of time to bring the bill up in January and look at these provisions in detail.

The biggest choice that Congress has to make is how to distribute the burden of increased taxes. The Finance Committee bill put a disproportionate share on employers. Unfortunately, that would be an illusory benefit to workers. First of all, most economic studies show that payroll tax increases on employers get passed right on as increased prices and forgone wages. The workers would thus pay the cost, but the mechanism used would have the most rapid possible inflationary effect. Second, the biggest problem we are having with economic recovery at this time is the failure of businesses to invest in new facilities and thus create new jobs. To cut drastically into their cash flow at this point in time would simply delay recovery and cost jobs. That is certainly no benefit to workers.

For these reasons I voted in favor of the amendments offered by Senator CURTIS, which would have provided equal tax rates for employers and employees. If the Senate had been allowed time to consider a full range of alternatives, I would have favored a combination of an equal share between employers and employees, but with a higher wage base and a lower tax rate. That combination would have been the fairest for all parties. I hope the conferees will adopt a version that is closer to that combination.

I have been concerned for a long time that we are undermining the basic social compact of the social security system by paying welfare-type benefits out of the retirement fund. If we can eliminate some of these provisions we can minimize the tax increases necessary to safeguard the trust fund.

I therefore offered two cost saving amendments to the Finance Committee bill and the Senate adopted both of them. At my urging, the Budget Committee has been on record for making these savings for each of the last 3 years, just as we have been on record for decoupling.

The first of my amendments was to freeze the minimum benefit. The minimum benefit is a classic example of the need for "sunset" legislation. It was a good idea when first adopted, but it has outlived its purpose. The original intent of the minimum was to provide a floor for low-wage workers and to keep the Social Security Administration from having to write checks for very small amounts. Several events have eliminated these needs. In 1972 Congress created

a special benefit structure for persons with many years of work at low wages, thus meeting the primary need for a floor on benefits. At the same time we created the supplemental security income program which takes care of low income elderly, including those persons with only a few years of work history. Benefits under both of these provisions greatly exceed the social security minimum benefit. Finally, the age of computers makes it easy to apply the benefit computation formulas at any level and issue an appropriate check.

As conditions and benefit structures have changed, two types of individual have emerged as recipients of the minimum benefit. First, we have individuals who work most of their adult life in government jobs which are not covered by social security. Since their jobs are not covered, they do not contribute to the trust funds.

However, many government pension systems, including the Federal one, have generous provisions for early retirement. As a result, government workers may retire while they are still active and healthy, work a few years in private jobs covered by social security, then qualify for the minimum benefit. In these cases, the individual receives a benefit greatly exceeding what he would get based on his actual earnings and contribution to the trust fund. Of course he is also "double dipping" by drawing down his government pension in addition to the \$1,400 a year in social security. While I think we should encourage older workers to keep working if they are healthy and active, we ought not to burden the system with paying benefits to persons who have not made an appropriate contribution.

Mr. President, I believe we really ought to freeze the minimum benefit for current beneficiaries and eliminate it for future retirees. The future recipients are not those who have put in long years of work and contributed to the trust fund in the expectation of receiving a specified level of social security benefits. However, when Mr. CORMAN offered that as an amendment in the House, it was defeated. I am therefore offering the same provision as in the House bill, which provides a very gradual transition, simply letting the value of the minimum benefit erode by excluding it from the provision that automatically increases benefits to match price changes. The Congressional Budget Office estimates that this amendment will save \$193 million between now and 1983.

The second amendment I offered was to eliminate the monthly computation of the earnings limit for determining whether an individual is retired. I think we should encourage older people to keep working to the degree that they are still physically able to. More than any economic considerations, the work situation provides a valuable social support that prevents the loneliness and isolation which so many of the elderly suffer. I have long supported increasing the level of allowable retirement earnings in order to encourage continued employment, and I congratulate the Finance Committee

for providing significant increases in this bill.

At the same time, I believe it is necessary to be as fair as possible in how we calculate the earnings limit. One flaw in the current law is that it allows an individual to be retired in 1 month, working in another, and so on, without regard to how much is earned in the working months. Many people can regulate their flow of income by reasons of self-employment or ownership of a business. Thus, they can earn \$100,000 in 3 months of the year, then "retire" and draw social security benefits for the rest of the year.

They can then go back to work again the next year and repeat the pattern. Social security is for them just a bonus piece of income. At the same time, we tell a salaried employee that we will reduce his benefits 50 percent for any earnings over \$3,000. This is obviously unfair and discriminates against the salaried workers who tend to have lower incomes. The Social Security Administration estimates that about 80,000 persons currently avoid the earnings limitation by this mechanism.

My amendment would correct this flaw by calculating the earnings limit on an annual basis. This improvement was recommended by President Carter in his 1978 budget. It was also recommended by the previous administrations in their budgets. It has also been recommended by the social security advisory commission, an independent body that is appointed by the Secretary of HEW to oversee the soundness of the system.

This amendment will save \$174 million in fiscal year 1978, \$234 million in 1979, and more in later years. If we can cut down on a lot of these flaws in the benefit structure, we can minimize the tax increases necessary to keep the system solvent and pay a decent level of benefits to our retirees.

Mr. President, in order to make sure that the effects of this amendment would truly fall on the upper levels of income. I asked the Social Security Administration to calculate the number of persons at each income level who would have their earnings reduced. I ask unanimous consent to insert a table showing the results in the RECORD at this point:

TABLE I.—Percent of workers with reduced benefits under annual retirement test, by income (data from 1975)

[Percent of workers with reduced benefits]	
Annual earnings:	
Less than \$3,900.....	1
\$3,900-\$5,400.....	6
\$5,400-\$8,400.....	20
\$8,400-\$11,400.....	26
\$11,400-\$14,100.....	14
More than \$14,100.....	32
All workers (total does not add due to rounding).....	
	100

Mr. President, it is clear that no more than 1 percent of the affected workers earn less than the earnings limit of \$3,900. That is, 99 percent are using this mechanism to avoid the limits we are imposing on low-income workers who work every month of the year. Even considering the increase in the earnings

limit to \$6,000 as provided in this bill, 93 percent of the affected workers would be exceeding the annual limit by means of the monthly compilation.

During consideration of the social security financing bill, I backed the Church substitute amendment to permit higher outside earnings for social security recipients. This provision allows unlimited earnings for those over 70 and strengthens the trust fund's financial condition. I believe the law should permit a more reasonable allowance for outside earnings without affecting social security benefits. If we were to permit every person over 65 access to social security benefits without some earnings limit, we would really be doing a tremendous disservice to the great majority of elderly citizens who have small incomes and rely on social security. We would be placing a tremendous drain on an already overburdened trust fund. The Congressional Budget Office estimated an additional cost to the fund of \$3.4 billion in the first year if the earnings test were dropped, a cost that would have to be met either by increased taxes on workers and employers or reduced benefits. What bothers me is that such a provision would make substantial social security benefits available to the person earning \$75,000 or \$100,000 a year. That certainly is not what we had had in mind when the social security program was created to benefit elderly Americans.

In my view, the law should permit the older citizen the opportunity to earn a reasonable amount without having those earnings affect social security payments. My votes supported efforts to permit higher earnings in 1978 and subsequent years that would not be subject to reduction in social security benefits.

Florida has the largest percentage of persons over 60 years of age in the Nation, so I have great concern for the thousands of elderly citizens who are strapped to fixed incomes which seldom respond to cost of living increases. Costs for food, health care, transportation, electric and water bills—the basic necessities of modern life—have all risen dramatically in recent years.

I believe it is essential that we help the senior citizen cope with such increases wherever possible to assure that the elderly are able to live with dignity and security.

I firmly believe that social security beneficiaries deserve better protection against inflation. This protection would be provided in an amendment I cosponsored to authorize two cost-of-living adjustments each year when consumer prices rise more than 4 percent semi-annually.

Twice yearly adjustments in social security benefits would mean those who depend on their monthly checks could keep up with rising prices which hit the elderly the hardest. The amendment would also direct the Secretary of Health, Education, and Welfare to develop a special consumer price index for the elderly to more adequately reflect the impact of inflation on them.

Mr. President, as I stated at the outset, I believe that assuring adequate financing of the social security system is

a top national priority. But a top national priority ought not to be dealt with hastily. I believe I have been as diligent as any other Member of the Senate to aid the condition of the elderly. I have taken an active role as a ranking member of the Special Committee on the Aging to investigate the needs and problems of the elderly and have sponsored many amendments to help them with their needs for income, for fuel payments, for nutrition, for safe medical care, for transportation, and for housing.

But no one suffers more from inflation and recession than the elderly. Older workers get pushed out of jobs when unemployment is high. Most pensions and other sources of retirement income are not adequately adjusted for increases in the cost of living. I voted in 1972 to index social security benefits to the cost of living, and this year to make that adjustment twice a year. But for most people social security is only a part of retirement income and the other parts do not have cost-of-living increases built in. For that reason I am voting against final passage of this bill because I do not believe the Senate has had adequate time to consider the economic effects it will have. Even with the adoption of the cost-saving amendments which I sponsored, the bill will add over a billion dollars more to the Federal deficit than was set in the congressional budget resolution for this year. The effect on the deficit in future years will be many billions. Many of the provisions of the bill, and many amendments added on the floor of the Senate, will have inflationary consequences of unknown degree. Pushing ahead with a law that will add to inflation is no favor to either retirees or workers.

Mr. BELLMON. Mr. President, the social security proposals we are now considering include changes that are very much needed. The following are some of the aspects of the Senate Finance Committee's bill that I regard as strong features:

First. The bill would reassure the American people that the social security system is sound. This obviously must be a very high priority goal for the Congress.

Second. The bill would remedy the overindexing of benefits for future retirees, thereby avoiding in future years the payment of unnecessary sums out of the Treasury.

Third. The bill would partially correct the double-dipping problem, by requiring spouses' benefits to be reduced by the amount of any retirement payments under a Federal Government or other public retirement plan.

Fourth. I also favor the elimination of the retroactive lump-sum retirement option and some of the other smaller corrections that the Senate bill would make.

I do have some serious concerns, however, about the bill before us and even greater concern about the process by which we are considering it. Few issues coming before the Congress have the extensive impact on the American people that social security legislation has. Major social security legislation needs concen-

trated and extended consideration by the entire Senate. Unfortunately, this bill will not receive that kind of consideration. This bill came to us with only 3 days left for normal Senate business in this session. As Senator MORGAN has pointed out, we began consideration of this bill without having either a printed bill or printed report.

Mr. President, yesterday some of us tried to convince the Senate that we should hold this bill until February so we would have time to consider it fully. We are not serving the country as well as we should by proceeding in haste on this important matter. I regret that the majority leader and others chose to accuse us of trying to kill the bill. That was certainly not my motivation, and I believe all Senators recognize that we must soon provide added social security financing. The display of leadership muscle we saw yesterday may get a social security bill passed this month. It will not produce as good a plan as would be possible if we and the public had adequate time to study the Finance Committee's proposals.

Let me turn now to some specific concerns I have about the bill and the potential for action in the House-Senate conference:

First. While the Senate bill as originally reported was consistent with the budget resolution, amendments we have added today now put the bill over the budget. Moreover, the House bill provides for \$1.3 billion in added social security taxes in fiscal year 1978. If the conferees were to accept the House position, budget targets which Congress set less than 2 months ago would be breached even more substantially.

Second. I fear that solving the financing problems of social security as this bill proposes will take pressure off Congress and the executive branch to make the kind of review of the benefit side of social security that is required. Both the Senate and the House bills include provisions dealing with spouses' benefits, for example, but neither bill reflects the kind of comprehensive review of those benefits that is needed. The House is committed to an examination of the disability program during the coming months. That part of social security is experiencing runaway costs. The interrelationships between social security and the relatively new supplemental security income program desperately need examination. In short, we ought to be wary of solving the social security financing problems before we address some of the benefit questions that could result in greater equity and lower outlays.

Third. The Senate Finance Committee proposes that the wage base for the employer portion of the social security payroll taxes be more than doubled to \$50,000 in 1979 and then increased again to \$75,000 in 1985 while the wage base for employee taxes continues to increase in relationship to average wages. This proposal concerns me greatly. We should have no doubts about who will pay the added taxes to be imposed on employers. The general public will pay them in higher prices for goods and services and the employees will absorb part of them

because of lower wage increases, fewer new hires, et cetera. At the very time our economy desperately needs added capital investment, some companies will cancel or delay capital investments because of the added social security costs they will be required to pay. This kind of tax increase impacts most substantially on those private-sector firms which are our highest growth industries. It would also impose substantial burdens on universities, State governments, and other non-profit organizations. I realize that the choices between higher payroll taxes and a higher wage base for employers are difficult one. I personally believe either the House bill or the proposal by Senator CURTIS are preferable approaches to the Finance Committee's plan which the Senate is about to adopt.

Fourth. I am very concerned that Congress will produce a bill that almost totally eliminates the earnings limitations in social security. While I recognize that this limitation is considered a serious deficiency in social security by many people, totally eliminating the limitation would cost at least \$2 billion a year and a very high percentage of the added benefits will go to people with high incomes. Is it fair to tax all workers so we can make social security payments to people over 65 making \$25,000 or \$50,000, or \$100,000, or even more?

Fifth. The possibility of using price-indexing instead of wage-indexing for correcting the overindexing problem deserves more consideration than it has received from the Senate Finance Committee or is likely to get here on the floor. If we adopt the committee's bill, we will be fixed the overindexing problem in a way that is still most generous. I wonder how many Senators have looked at the table on page 21 of the Finance Committee's report. That table shows that the average annual social security benefit in 1977 dollars will rise to \$13,978 in the year 2050 under the "price-indexing" approach adopted by the Finance Committee. Data compiled by the Senate Finance Committee staff show that if instead of the "wage-indexing" approach recommended in the Senate Finance Committee bill, a modified price-indexing approach was used, we would need only a very modest tax increase over present law in order to fully fund the social security system. Under this approach, the annual benefit in 1977 dollars for a worker with average earnings would still be in the neighborhood of \$9,000 in the year 2050, or twice what it is today. In other words, a modified price-indexing approach would result in a doubling of the purchasing power of social security benefits over the next 75 years. A tax increase averaging only 1 percent each for employees and employers over that 75-year period would be required under this modified indexing approach.

Sixth. Mr. President, I am also very concerned that this bill does nothing about melding the numerous retirement system financed by the Federal Government. The vote in the House overwhelmingly rejecting coverage of public employees by social security shows that we have a long way to go before Congress will correlate and integrate these retire-

ment systems into a more rational pattern. I intend to work with the Budget Committee to keep pressure on this area. We could save billions of dollars in future years by making more sense out of the morass of Federal retirement programs.

Finally, Mr. President, let me turn to some very brief comments on the portions of the committee bill dealing with the aid to families with dependent children program. I do not believe the fiscal relief provisions included in the bill reflect a high priority for use of Federal funds. We are simply giving \$400 million to States and localities as a rather unusual form of general revenue sharing. There is no assurance at all that this money will be used to improve services or benefits to AFDC recipients. The administration's position on this provision demonstrates again how whimsical and inconsistent our current executive branch leadership is on its policy initiatives. Up to Tuesday morning of this week, the administration adamantly opposed these fiscal relief provisions. Then Secretary Califano abruptly changed the administration position and endorsed the \$400 million give-away that is included in the Senate Finance Committee's bill.

We are not buying any reform with this \$400 million. We are simply giving the States a windfall. They need not use it in their welfare programs at all.

The other provisions that have been included in the Senate bill deal with improved quality control, revised work expense and income disregard reductions and work demonstration projects. Most of these seem reasonable provisions and I support their inclusion in the bill.

Mr. President, I continue to harbor the hope that something will happen to slow down this express train which is carrying us toward a hastily constructed, inadequately considered social security financing bill.

Clearly, adjustments are needed in social security financing and in the benefit structure. Regrettably, this bill is fatally flawed.

Mr. President, I voted for recommitment and will do so again in the expectation that a better bill will be before the Senate at an early date.

Mr. HOLLINGS. Mr. President, I ask unanimous consent to have printed in the RECORD a statement by the distinguished Senator from Maine, Mr. MUSKIE.

The PRESIDING OFFICER. Without objection, it is so ordered.

STATEMENT BY SENATOR EDMUND S. MUSKIE

As the Senate proceeds with debate on the Social Security financing bill, I would ask my colleagues to pause for a moment and reflect on the role of the budget process and the Budget Committee with respect to this legislation.

The bill reported from the Finance Committee is one of the most significant pieces of legislation to come to the Senate floor this session. The Social Security financing bill is intended to be the major piece of Social Security legislation for the balance of this century. It is undoubtedly the most significant Social Security bill considered since the creation of the Social Security system itself and its economic and fiscal implications will have far-reaching effects for the next thirty years.

It is deplorable that such a major piece of legislation would come to the Senate floor in the last hours of the session for debate with such little time for review and analysis. The bill itself did not become available until after debate on the measure had begun and the printed report was not available to members of the Senate until two days into the debate. This situation was most distressing to members of the Budget Committee and to the Senate as a whole.

Because I was necessarily absent for reasons of health, the senior Senator from South Carolina, Mr. Hollings, has served as Acting Chairman of the Budget Committee during consideration of this measure. Let me say for myself and I am sure for the Senate as a whole, that we owe him an enormous debt of gratitude for his able leadership of the committee on this very critical and complex legislation. Let me also pay tribute to the important role of the Ranking Minority Member of the Budget Committee, Senator Bellmon, whose wise counsel and support were essential during the debate on the Social Security bill.

I firmly believe that the Budget Committee has played an important role in permitting the Senate to proceed in a more orderly fashion and in assembling costly amendments relating to certain segments of the bill in one place for the Senate to consider and compare. Mr. President, let me briefly summarize the involvement of the Budget Committee with this legislation and my assessment of the role of the budget process in the formulation of legislation.

The Finance Committee met Tuesday morning to report out the Social Security financing bill. At that time they reported a resolution to waive Section 303(a) of the Budget Act, with respect to consideration of the Finance Committee bill, two alternative amendments to be offered by the Ranking Republican on the Committee, and five other amendments to be offered by Finance Committee members with respect to other provisions in the bill. This waiver was necessary to permit Senate consideration of the bill and the amendments thereto because they provided for increased revenues and new entitlements which first became effective in fiscal 1979, a fiscal year for which no First Budget Resolution has yet been adopted.

The Budget Committee staff had received an advanced copy of the bill the night before and was able to prepare for the membership a memorandum detailing the highlights of the bill. This memorandum served as a basis for a Committee meeting Tuesday afternoon to review the requested waiver. At that meeting, Committee members expressed strong reservations with respect to granting a waiver for costly amendments which would tie the hands of the Budget Committee and the Congress with respect to actions on revenues and entitlements in future years. The Committee agreed to seek guidance from the Leadership and the chairman of the Finance Committee on these matters.

Senators Hollings, Cranston and Bellmon met with the distinguished Majority Leader, Senator Byrd, and the distinguished chairman of the Finance Committee, Senator Long, in an effort to reach agreement on the most orderly way to proceed with consideration of the request from the Finance Committee. It was suggested that the Finance Committee might report out separate waivers for the bill and any important amendments which members of the Finance Committee might seek to raise.

Wednesday morning the Finance Committee met at 9:00 a.m. and reported out a waiver with respect to the bill itself and two alternative amendments from the Ranking Minority Member. This waiver was considered by the Budget Committee within minutes of the conclusion of the Finance Committee meeting and was favorably re-

ported to the full Senate within an hour. Later that day and early on Thursday, several individual Senators introduced waiver resolutions which were referred to the Budget Committee for consideration. Again, the Budget Committee arranged to meet in midafternoon to review the waiver requests transmitted by four senators. After a poll of the Committee which resulted in a tie vote with seven members voting to approve the waiver requests and seven members voting to disapprove the requests, the Committee reported the waiver resolutions back to the Senate without amendment or recommendation. Under these circumstances, it was left to the full Senate to act on these waiver requests. They were approved en bloc by a voice vote.

Looking at these events, I would draw the following conclusions which I would like to share with my Senate colleagues. First, I believe it is important that we understand that the Budget Committee and the budget process is not intended to obstruct the work of the Senate or in any way curtail prompt consideration of legislation. Rather, it is an important tool to aid informed Senate debate and consideration of important legislation.

Review by the Budget Committee of the legislation from the Finance Committee and costly amendments thereto permitted the Senate to proceed with a more orderly debate. The time needed for Budget Committee review and analysis permitted other Senators to examine more carefully the budgetary impact of the bill as reported from the Finance Committee and the report when it finally became available. Let me not be misunderstood, Mr. President. I believe that the Budget Committee acted with dispatch at every juncture. Its meetings were scheduled on short notice, with participation by the majority of the Committee in every decision that was made. Moreover, by grouping the amendments with respect to the earnings limitation in one place, the Budget Committee allowed the Senate to make important comparisons among alternative proposals with respect to this important issue.

Second, it is important to recognize that individual Senators with costly amendments worked closely with the Budget Committee to maintain the discipline of the budget process with respect to these amendments. Because of serious reservations with respect to the refundable tax credits for non-profit organizations, Senators agreed to change the refundable tax credit to an appropriated payment or to establish a differentiation in the rate of tax in order to achieve the same objective.

From the standpoint of sound fiscal policy, the alternative formats allowed greater Congressional control and avoided the backdoor spending which the Budget Act was enacted to preclude. From a procedural standpoint, the alternative formats avoided the need for Budget Act waivers or for the raising of points of order on the floor.

In two other cases, individual senators agreed to modify their amendments so that new entitlements would not have increased out-year costs. These modifications obviated the need for Budget Act waivers and reduced the overall costs of these amendments.

Thirdly, the Finance and Budget Committees worked together very closely to examine the consequences for the federal budget of the legislation and the amendments thereto. It is so secret that the distinguished gentleman from Louisiana and I are not always in agreement as to the means to achieve sound fiscal policy. In this instance, however, we both agreed that a delay in changes in financing the Social Security system was essential to permit the economy adequate time to recover from the serious recession of the last few years.

In summary, the review by the Budget Committee of the bill and its amendments permitted the entire Congress more time to examine closely this legislation which will set the pattern for all Social Security payments and taxes for the next quarter century. If this were the only thing we achieved, we could be justly proud. But I firmly believe that we have done more than that. The Committee and the process are still alive and well. The budget process has served the Senate and other committees as a means to examine and to compare costs of one provision against another. Reflection and comparison is critically important if the Congressional budget process is to establish a sound fiscal policy and to project Congressional needs and priorities for the coming fiscal year.

We do not lightly waive the constraints of the Budget Act on future year spending. It is only in the most extraordinary cases that such waiver should be granted to permit consideration of a Committee's bill and amendments thereto on the Senate floor. In this case, the Budget Committee had earlier determined that a delay in financing in the Social Security system was essential to assure the sound economic footing of the country prior to the imposition of new payroll taxes.

With this understanding, we proceeded to consider closely the bill as reported from the Finance Committee and amendments thereto. The Budget Committee then acted favorably on the waiver request from the Finance Committee. Upon reviewing individual amendments which senators wanted to offer, the Committee was divided on a 7-7 vote and determined that it should report them back to the Senate without recommendation and permit the Senate to work its will on these waiver resolutions.

I hope in the future, Mr. President, that when a bill of this magnitude comes to the Senate that the Budget Committee will be permitted time to review it in a more deliberate fashion. Within the time constraints placed on the Budget Committee, I believe that the Committee did an outstanding job and provided a great service to the Senate and to the Congress in permitting the debate to focus on current, as well as out year implications for costly and controversial measures.

In closing, Mr. President, let me make it clear that the review of the Budget Committee is not intended to pass judgment on the substance of any amendment, or the legislation itself. The Budget Committee does not want to become a Rules Committee or an authorizing committee. We view our role as simply that of a watchdog for the Congress in reviewing the budgetary impact in both the short and long-term of all important legislation which the Congress must consider. It is on those grounds, and those grounds alone, that our decisions must be made. If we are not free to exercise this responsibility without undue pressure from other members of this body, then the role of the Committee is subject to serious question.

But I believe that the debate of the last several days has shown that the Budget Committee serves an important purpose. The Budget process is working and the Senate is conscious of the need for sound, orderly debate on matters of significant budgetary and economic impact.

For myself, Mr. President, I must say that I am sorely distressed that the cost of the Social Security bill has risen so markedly during this debate. We now find that this bill could exceed the Finance Committee's allocation under the budget resolution by more than half a billion dollars.

I certainly favor the Social Security system as an insurance system for older Americans and fully support legislation to restore the program to fiscal soundness. But

the adoption of costly and unsound floor amendments has produced a bill that is fiscally irresponsible. For these reasons, Mr. President, I cannot support this bill and would vote against it if I were present.

Mr. STEVENSON. Mr. President, I recognize that the social security system must be adequately funded. But I am not convinced that this bill represents the best way to do it. As a matter of fact, none of us can be certain what this bill does. The committee report was not made available until after the Senate began consideration of the measure. And since then amendments have been approved which will add substantially to the costs of the system. If this legislation is sound, it is only by coincidence. All we really know is that its economic consequences for the Nation are substantial. And the new system, sound or unsound, will be locked in for many years to come.

I am inclined to think the system proposed is unsound. The costs are high, and so are the taxes. They will raise the cost of labor and in some measure cause a further increase in unemployment. It would be best to take some part of general revenues to defer the high cost of this system. It is established for the benefit of the Nation and not alone for its annuitants. It is not unreasonable, therefore, to demand of the Nation that it pay a part of the direct costs. But that avenue will now be shut for a long time to come. With new general revenues, as for example from an increased gasoline tax, the Nation might fund this system with economic benefits and not the economic costs which will be occasioned by a substantial hike in payroll taxes.

I have heard it said many times that the Senate must act now, in haste and amidst all the clutter of these late hours because it cannot be expected to act responsibly next year, an election year. To that I have to say that the chance of next year's irresponsibility is no warrant for this year's.

Mr. DOMENICI. Mr. President, the Senate has now completed its consideration of the 1977 amendments to the Social Security Act. As we prepare to vote on this bill I would like to take just a few minutes to explain my reasons for voting against this measure.

I object to the way this bill was handled. This bill is probably the biggest tax measure to come before the Senate in the 5 years I have served here. Yet it came to us on the same day the Finance Committee reported it. It came to us unprinted and it was not until 2 days later that the accompanying report became available to the Members. Mr. President, this is no way to legislate and it is especially no way to enact a tax proposal that will raise \$200 billion over the next 10 years.

We have not thought this measure through. We have not had an opportunity to weigh all of the economic implications of this massive tax program. We have not had an opportunity to receive valuable input from the American people, the business community, economist, and so forth. There are questions we have not answered:

First. How will this drastic tax increase affect our recovery from the recent recession?

Second. Should we shift the tax burden, now shared by employer and employee, from the employee to the employer?

Third. If we abandon the parity concept will it lead us, in future years, to shift most or all of the tax burden onto the employers?

Fourth. Will private pension plans suffer from this change in the tax structure?

Fifth. Will the future growth of our economy be adversely affected by this increased tax liability?

Sixth. Can our middle-income families stand to have their social security taxes doubled or tripled in the next 10 years?

Seventh. Will more Americans be unemployed as a result of the enactment of this legislation? If so, how many?

Eighth. Will the enactment of this tax increase generate opposition to future benefit increases for older Americans by hard pressed taxpayers?

Mr. President, the economic impact of this bill will be far greater than the Finance Committee is projecting. Several economists have estimated that this tax increase will push the U.S. inflation rate up by an additional 1 percent in 1981. Michael Young, an economist at the Wharton Economic Forecasting Associates said:

What that does is make the impact of the regular cyclical slowdown even worse. It means any tax cuts the administration was planning will have to be visibly larger.

Young went on to point out that breaking parity between employer/employee taxes will "bloat unit labor costs and prompt companies to pass on the full brunt of the increases in higher prices to consumers." The House approach—parity—would have less impact on prices.

Art Pine, writing in this morning's Washington Post stressed that the brunt of the impact will come in 1980-81—"When the economy is expected to be weak anyway"—and that is the time period when the last phase of the energy consumption taxes take effect.

Some business leaders have expressed the view that this tax increase will drive up prices, reduce private pensions, and harm U.S. exports by further reducing our competitive position.

Michael Young also predicted that this bill could have a "debile" impact on joblessness especially if the economy enters a cyclical slowdown in late 1978.

Mr. President, as the ranking minority member on the Senate Special Committee on Aging and a person who is deeply concerned about the well-being of our senior citizens, I wish that I could support this bill. I want to stabilize the three social security trust funds and thus secure the future of this vital program. I would never take any action that would jeopardize the social security benefits of present and future retirees.

But I am not prepared, Mr. President, to approve—by my vote—an ill-conceived, premature proposal such as this. I supported the efforts by Senator CURTIS and Senator TOWER to correct the

most serious defects in H.R. 9346. The Curtis amendments would have restored the concept of parity which is so important to the traditions of this program. Senator TOWER, recognizing as I do that we have time to legislate in a calm deliberate manner, sought to restructure the bill and introduce the concept of price-indexing. I believe, Mr. President, that price-indexing would save the trust funds billions of dollars over the coming years and thus allow us to moderate the tax increases contained in this bill.

Had either the Curtis or Tower amendments carried I probably would have been able to vote for final passage. As it is, Mr. President, I cannot justify, in my own mind, a vote for this bill. This is not a vote against the social security program or the benefits it pays to 30 million Americans. It is instead a vote against a bad bill, the enactment of which we may all come to regret.

The PRESIDING OFFICER. If there be no further amendment to be proposed the question is on the third reading of the bill.

The bill was ordered to be engrossed for a third reading and was read the third time.

Mr. CURTIS. Mr. President, I ask for the yeas and nays on final passage.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

The PRESIDING OFFICER. The bill having been read the third time, the question is. Shall the bill pass?

On this question, the yeas and nays have been ordered, and the clerk will call the roll.

Mr. ROBERT C. BYRD. Mr. President, there is another bill in a short time, but I expect a rollicall vote.

The legislative clerk called the roll.

(Mr. MATSUNAGA assumed the chair.)

Mr. HEINZ (when his name was called). Mr. President, on this vote I have a pair with the Senator from Delaware (Mr. BIDEN). If he were present and voting he would vote "nay." If I were at liberty to vote, I would vote "yea." Therefore, I withhold my vote.

Mr. LEAHY (when his name was called). Mr. President, on this vote I have a pair with the Senator from Maine (Mr. MUSKIE). If he were present and voting he would vote "nay." If I were at liberty to vote, I would vote "yea." I therefore withhold my vote.

Mr. CRANSTON. I announce that the Senator from South Dakota (Mr. ABOUREZK), the Senator from Texas (Mr. BENTSEN), the Senator from Delaware (Mr. BIDEN), the Senator from Arkansas (Mr. BUMPERS), the Senator from Nevada (Mr. CANNON), the Senator from Arizona (Mr. DeCONCINI), the Senator from Mississippi (Mr. EASTLAND), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Minnesota (Mr. HUMPHREY), the Senator from Louisiana (Mr. JOHNSTON), the Senator from Arkansas (Mr. McCLELLAN), the Senator from Montana (Mr. METCALF), the Senator from North Carolina (Mr. MORGAN), the Senator from Connecticut (Mr. RIBI-

COFF), and the Senator from Tennessee (Mr. SASSER) are necessarily absent.

I further announce that the Senator from Alabama (Mr. SPARKMAN) and the Senator from Nebraska (Mr. ZORINSKY) are necessarily absent.

I also announce that the Senator from Maine (Mr. MUSKIE) is absent because of illness.

On this vote, the Senator from Connecticut (Mr. RIBICOFF) is paired with the Senator from North Carolina (Mr. MORGAN). If present and voting, the Senator from Connecticut would vote "yea" and the Senator from North Carolina would vote "nay."

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY), the Senator from Alabama (Mr. SPARKMAN), the Senator from Delaware (Mr. BIDEN), the Senator from Tennessee (Mr. SASSER), and the Senator from Arkansas (Mr. BUMPERS) would each vote "yea."

Mr. BAKER. I announce that the Senator from Oklahoma (Mr. BARTLETT), the Senator from Massachusetts (Mr. BROOKE), the Senator from Arizona (Mr. GOLDWATER), the Senator from Utah (Mr. HATCH), the Senator from Oregon (Mr. HATFIELD), the Senator from California (Mr. HAYAKAWA), the Senator from North Carolina (Mr. HELMS), the Senator from Oregon (Mr. PACKWOOD), the Senator from Kansas (Mr. PEARSON), the Senator from Illinois (Mr. PERCY), the Senator from Alaska (Mr. STEVENS), and the Senator from Connecticut (Mr. WEICKER) are necessarily absent.

I also announce that the Senator from Virginia (Mr. SCOTT) is absent on official business.

On this vote, the Senator from Alaska (Mr. STEVENS) is paired with the Senator from Oregon (Mr. HATFIELD). If present and voting, the Senator from Alaska would vote "yea" and the Senator from Oregon would vote "nay."

On this vote, the Senator from Illinois (Mr. PERCY) is paired with the Senator from North Carolina (Mr. HELMS). If present and voting, the Senator from Illinois would vote "yea" and the Senator from North Carolina would vote "nay."

The result was announced—yeas 42, nays 25, as follows:

[Rollcall Vote No. 631 Leg.]

YEAS—42

Baker	Gravel	Moynihan
Bayh	Hart	Nelson
Burdick	Hathaway	Pell
Byrd	Hollings	Proxmire
Harry F., Jr.	Inouye	Randolph
Byrd, Robert C.	Jackson	Riegle
Case	Javits	Sarbanes
Chafee	Kennedy	Stafford
Clark	Long	Stennis
Cranston	Magnuson	Talmadge
Culver	Mathias	Thurmond
Danforth	Matsunaga	Williams
Durkin	McIntyre	Young
Ford	Melcher	
Glenn	Metzenbaum	

NAYS—25

Allen	Garn	Roth
Anderson	Griffin	Schmitt
Belmont	Hansen	Schweiker
Chiles	Haskell	Stevenson
Church	Laxalt	Stone
Curtis	Lugar	Tower
Dole	McClure	Wallop
Domenici	McGovern	
Eagleton	Nunn	

PRESENT AND GIVING A LIVE PAIR, AS
PREVIOUSLY RECORDED—2

Heinz, for.
Leahy, for.

NOT VOTING—31

Abourezk	Hatfield	Pearson
Bartlett	Hayakawa	Percy
Bentsen	Helms	Ribicoff
Biden	Huddleston	Sasser
Brooke	Humphrey	Scott
Bumpers	Johnston	Sparkman
Cannon	McClellan	Stevens
DeConcini	Metcalfe	Weicker
Eastland	Morgan	Zorinsky
Goldwater	Muskie	
Hatch	Packwood	

So the bill (H.R. 9346), as amended, was passed.

Mr. MOYNIHAN. Mr. President, I move to reconsider the vote by which the bill was passed.

Mr. SARBANES. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. MOYNIHAN. Mr. President, may we have order.

The PRESIDING OFFICER. The Senate will be order. Senators will cease conversations. The Senate will please be in order.

There is still too much conversation.

The Senator from New York.

Mr. MOYNIHAN. Mr. President, I ask unanimous consent that the bill (H.R. 9346) be printed with the amendments of

the Senate numbered, and that in the engrossment of the amendments of the Senate to the bill the secretary of the Senate be authorized to make all necessary technical and clerical changes and corrections, including corrections in section, subsection, and so forth, designations, and cross references thereto.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MOYNIHAN. Mr. President, I move that the Senate insist on its amendments and ask for a conference with the House of Representatives thereon, and that the Chair be authorized to appoint the conferees on the part of the Senate.

The motion was agreed to; and the Presiding Officer appointed Mr. LONG, Mr. RIBICOFF, Mr. NELSON, Mr. HASKELL, Mr. MOYNIHAN, Mr. CURTIS, Mr. ROTH, and Mr. LAXALT conferees on the part of the Senate.

Mr. ROBERT C. BYRD. Mr. President, I take this opportunity to pay tribute to the distinguished managers of H.R. 9346, the Senator from Wisconsin (Mr. NELSON) and the Senator from Nebraska (Mr. CURTIS), and, of course, the distinguished chairman of the Finance Committee, Senator LONG, upon the passage of this bill today by the Senate.

The importance of the social security amendments to the Nation and the ne-

cessity of their passage before the end of the first session of the Congress have been discussed before and are well known to the Members of the Senate. I will not repeat them now. Suffice it to say that it had to be done.

But though it had to be done, the issues that had to be resolved were by no means easy ones. They were difficult and complex.

When confronted with such a challenge, I can think of no Members of this body more capable of meeting it than the three Senators—Senators LONG, NELSON, and CURTIS—who did so much to bring about passage of the social security bill today.

Their knowledge and expertise—and their extraordinary legislative skills—are well known to every Member of this Chamber. They brought all of these qualities to bear on this bill. And because of these skills and their tireless efforts, what many had argued could not be achieved at all has indeed been accomplished—and in a manner that does the Senate and the people of the Nation proud.

Mr. President, every person who will enjoy the benefits of our social security system—and that includes every citizen of this country—owes these three Senators a profound debt of gratitude. On their behalf I say thank you.

thus determined the State agency match. For the first 3 months of 1974, these tapes were grossly incorrect and inaccurate and caused Alabama to expend \$1.2 million in erroneous payments based on these faulty data furnished by SSI. After the first quarter of 1974, SSI was able to furnish the States more accurate data and the overpayments ceased.

Following discussions between representatives of the Social Security Administration and the Alabama Department of Pensions and Security, Gov. George Wallace wrote to Mr. James B. Cardwell, Commissioner, Social Security Administration, and requested that immediate reimbursement be made to Alabama for the amount of \$1.2 million. Commissioner Cardwell replied to Governor Wallace that the matter was under consideration. After discussion regarding Alabama's claim with Dr. David Mathews—who was Secretary of HEW at the time—representatives from the Alabama Department of Pensions and Security met with SSA officials and HEW auditors and agreed on a statistically valid sample for an audit of Alabama's claim against HEW for States-administered mandatory supplementation payments. The audit was conducted from October 1975 through March 1976, and the subsequent audit report stated that the amount of \$600,000 was owed to the State of Alabama. There was approximately \$30,000 in addition which the auditors recommended be negotiated between SSI and the Alabama Department of Pensions and Security.

After completion of the audit, the Social Security Administration stated that it would be necessary to have legislative authority to repay Alabama any moneys.

However, the Social Security Administration was unable or unwilling to come up with a legislative proposal that was acceptable to Alabama.

The States that elected to have Federal administration of the SSI program have had their claims settled, since it did not take enabling legislation.

Mr. President, this amendment would not require large amounts of money. It is my understanding that there are not more than six States that would make claims under this enabling legislation and the largest amount reported, with the exception of Alabama, is a claim of approximately \$83,000.

Mr. President, I have a copy of the audit by the Department of Health, Education, and Welfare. It is lengthy, therefore I am not requesting that the entire report be printed in the CONGRESSIONAL RECORD. However, I would like to read a portion of the audit listed under the subtitle "Conclusion and Recommendation."

... We believe that our estimates are statistically reliable, that the State has a valid claim for about \$600,000, and that our estimates may be used as a basis for negotiating a settlement of the State's claim. Consequently, we recommend them for that purpose.

As I pointed out in an earlier part of my statement, negotiations for a settlement were never completed because Commissioner Cardwell stated that it would be necessary to have legislative

authority before the Social Security Administration could repay Alabama these funds.

Therefore, I ask my colleagues to lend their support to this amendment, so that restitution due the State of Alabama—according to HEW's own audit—can be made without further delay.

ADDITIONAL STATEMENTS

SOCIAL SECURITY FINANCING AMENDMENTS OF 1977

UP AMENDMENT NO. 1064

Mr. ALLEN. Mr. President, on last Friday, November 4, 1977, in connection with the passage of unprinted amendment No. 1064, my speech in behalf of the amendment was omitted from the RECORD. I ask unanimous consent that the permanent RECORD of November 4, 1977, be corrected to show such speech and that a copy thereof be inserted at this point in today's RECORD. The pages in the November 4 RECORD where these proceedings appear are S18810 and S18811.

Mr. President, the amendment I offer at this time is needed to enable the Social Security Administration to repay Alabama approximately \$600,000 which has been owed to the State since 1974.

When the supplemental security insurance (SSI) program was implemented on January 1, 1974, Alabama, along with approximately 17 other States, chose to have State administration of the mandatory supplementation. The law mandated that State welfare agencies supplement the amount given by SSI, at least up to the amount the person was receiving from the State agency in December 1973. For example, if a person was receiving \$100 from the State agency in December 1973, and SSI determined him to be eligible for \$50 from their program, pensions and security was mandated to also send him a \$50 check. The only method whereby the department of pensions and security could determine the amount for which it was liable to each client was by SDX tapes from SSI in Baltimore, which listed the amount of payment the person received from SSI and

SUBSTITUTION OF A CONFEEE ON
H.R. 9346

Mr. ROBERT C. BYRD. I ask unanimous consent that the Senator from Maine (Mr. HATHAWAY) replace the Senator from Colorado (Mr. HASKELL) as a conferee in the conference on the social security amendment (H.R. 9346).

I understand this has been cleared all the way around.

The PRESIDING OFFICER. Without objection, it is so ordered.

H. R. 9346

IN THE SENATE OF THE UNITED STATES

NOVEMBER 4 (legislative day, NOVEMBER 1), 1977

Ordered to be printed with the amendment of the Senate

[Strike out all after the enacting clause and insert the part printed in *italic*]

AN ACT

To amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

- 1 *Be it enacted by the Senate and House of Representa-*
- 2 *tives of the United States of America in Congress assembled,*
- 3 ~~That this Act, with the following table of contents, may be~~
- 4 ~~cited as the "Social Security Financing Amendments of~~
- 5 ~~1977".~~

~~TABLE OF CONTENTS~~

~~TITLE I PROVISIONS TO IMPROVE THE FINANCING OF THE OLD AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM~~

- ~~Sec. 101. Adjustments in tax rates.~~
- ~~Sec. 102. Allocations to disability insurance trust fund.~~
- ~~Sec. 103. Increases in earnings base.~~
- ~~Sec. 104. Standby guarantee of trust fund levels.~~
- ~~Sec. 105. Effective date.~~

~~TITLE II STABILIZATION OF REPLACEMENT RATES IN THE OLD AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM~~

- ~~Sec. 201. Computation of primary insurance amount.~~
- ~~Sec. 202. Maximum benefits.~~
- ~~Sec. 203. Increase in old age benefit amounts for delayed retirement.~~
- ~~Sec. 204. Conforming amendments.~~
- ~~Sec. 205. Effective date.~~

~~TITLE III COVERAGE UNDER THE OLD AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM~~

- ~~Sec. 301. Study concerning mandatory coverage of Federal employees.~~
- ~~Sec. 302. Study concerning mandatory coverage of State and local employees.~~
- ~~Sec. 303. Exclusion from coverage of certain limited partnership income.~~
- ~~Sec. 304. Tax on employers of individuals who receive income from tips.~~
- ~~Sec. 305. Revocation of exemption from coverage by clergymen.~~
- ~~Sec. 306. International agreements with respect to social security benefits.~~
- ~~Sec. 307. Validation of past social security coverage for certain Illinois policemen and firemen.~~
- ~~Sec. 308. Coverage for policemen and firemen in Mississippi.~~
- ~~Sec. 309. Coverage under divided retirement system for State and local employees in New Jersey.~~
- ~~Sec. 310. Coverage of service under Wisconsin retirement system.~~

~~TITLE IV ELIMINATION OF GENDER BASED DISTING- TIONS UNDER THE OLD AGE, SURVIVORS, AND DIS- ABILITY INSURANCE PROGRAM~~

~~PART A EQUALIZATION OF TREATMENT OF MEN AND WOMEN UNDER THE PROGRAM~~

- ~~Sec. 401. Divorced husbands.~~
- ~~Sec. 402. Remarriage of surviving spouse before age 60.~~
- ~~Sec. 403. Illegitimate children.~~
- ~~Sec. 404. Transitional insured status.~~
- ~~Sec. 405. Equalization of benefits under section 928.~~
- ~~Sec. 406. Father's insurance benefits.~~
- ~~Sec. 407. Effect of marriage on childhood disability beneficiary.~~
- ~~Sec. 408. Effect of marriage on other dependents' or dependent survivors' benefits.~~

~~TABLE OF CONTENTS Continued~~

~~TITLE IV ELIMINATION OF GENDER-BASED DISTINGUISHMENTS UNDER THE OLD AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM Continued~~

~~PART A EQUALIZATION OF TREATMENT OF MEN AND WOMEN UNDER THE PROGRAM Continued~~

- ~~Sec. 400. Treatment of self employment income in community property States.~~
- ~~Sec. 410. Credit for certain military service.~~
- ~~Sec. 411. Conforming amendments.~~
- ~~Sec. 412. Effective date.~~

~~PART B EFFECT OF MARRIAGE, REMARRIAGE, AND DIVORCE ON BENEFIT ELIGIBILITY~~

- ~~Sec. 415. Elimination of marriage or remarriage as factor terminating or reducing benefits.~~
- ~~Sec. 416. Duration of marriage requirement for divorced spouses and surviving divorced spouses.~~
- ~~Sec. 417. Effective date.~~

~~PART C STUDY~~

- ~~Sec. 421. Study of proposals to eliminate dependency and sex discrimination under the social security program.~~

~~TITLE V CHANGES IN EARNINGS TEST UNDER THE OLD AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM~~

- ~~Sec. 501. Liberalization and eventual repeal of earnings test for individuals age 65 and over.~~
- ~~Sec. 502. Elimination of monthly earnings test.~~
- ~~Sec. 503. Liberalization of test for determining deductions on account of noncovered work outside the United States.~~

~~TITLE VI COMBINED SOCIAL SECURITY AND INCOME TAX ANNUAL REPORTING~~

~~PART A AMENDMENTS TO TITLE II OF THE SOCIAL SECURITY ACT~~

- ~~Sec. 601. Annual crediting of quarters of coverage.~~
- ~~Sec. 602. Adjustment in amount required for a quarter of coverage.~~
- ~~Sec. 603. Technical and conforming amendments.~~

~~PART B AMENDMENTS TO THE INTERNAL REVENUE CODE OF 1954~~

- ~~Sec. 611. Deduction of tax from wages.~~
- ~~Sec. 612. Technical and conforming amendments.~~

~~PART C CONFORMING AMENDMENT TO THE RAILROAD RETIREMENT ACT OF 1974~~

- ~~Sec. 621. Computation of employee annuities.~~

~~TABLE OF CONTENTS -- Continued~~

~~TITLE VII MISCELLANEOUS PROVISIONS~~

- ~~Sec. 701. Actuarial reduction of benefit increases to be applied as of time of original entitlement.~~
~~Sec. 702. Elimination of certain optional payment procedures under the old age, survivors, and disability insurance program.~~
~~Sec. 703. Early mailing of benefit checks where regularly scheduled delivery day falls on Saturday, Sunday, or legal holiday.~~
~~Sec. 704. Definition.~~

~~TITLE VIII NATIONAL COMMISSION ON SOCIAL SECURITY~~

- ~~Sec. 801. Establish a National Commission on Social Security.~~

1 ~~TITLE I PROVISIONS TO IMPROVE THE FI~~
 2 ~~NANCING OF THE OLD AGE, SURVIVORS,~~
 3 ~~AND DISABILITY INSURANCE PROGRAM~~

4 ~~ADJUSTMENTS IN TAX RATES~~

- 5 ~~SEC. 101. (a) (1) Section 3101(a) of the Internal~~
 6 ~~Revenue Code of 1954 (relating to rate of tax on employees~~
 7 ~~for purposes of old age, survivors, and disability insurance)~~
 8 ~~is amended by striking out paragraphs (1) and (2) and~~
 9 ~~inserting in lieu thereof the following:~~

10 ~~"(1) with respect to wages received during the~~
 11 ~~calendar years 1974 through 1977, the rate shall be~~
 12 ~~4.95 percent;~~

13 ~~"(2) with respect to wages received during the~~
 14 ~~calendar years 1978 through 1980, the rate shall be~~
 15 ~~5.05 percent;~~

16 ~~"(3) with respect to wages received during the~~
 17 ~~calendar year 1981, the rate shall be 5.25 percent;~~

18 ~~"(4) with respect to wages received during the~~

1 ~~calendar years 1982 through 1984, the rate shall be~~
2 ~~5.35 percent;~~

3 ~~"(5) with respect to wages received during the~~
4 ~~calendar years 1985 through 1989, the rate shall be~~
5 ~~5.65 percent; and~~

6 ~~"(6) with respect to wages received after Decem-~~
7 ~~ber 31, 1989, the rate shall be 6.20 percent."~~

8 ~~(2) Section 3111(a) of such Code (relating to rate~~
9 ~~of tax on employers for purposes of old age, survivors, and~~
10 ~~disability insurance) is amended by striking out paragraphs~~
11 ~~(1) and (2) and inserting in lieu thereof the following:~~

12 ~~"(1) with respect to wages paid during the cal-~~
13 ~~endar years 1974 through 1977, the rate shall be 4.95~~
14 ~~percent;~~

15 ~~"(2) with respect to wages paid during the cal-~~
16 ~~endar years 1978 through 1980, the rate shall be 5.05~~
17 ~~percent;~~

18 ~~"(3) with respect to wages paid during the calen-~~
19 ~~dar year 1981, the rate shall be 5.25 percent;~~

20 ~~"(4) with respect to wages paid during the cal-~~
21 ~~endar years 1982 through 1984, the rate shall be 5.35~~
22 ~~percent;~~

23 ~~"(5) with respect to wages received during the~~
24 ~~calendar years 1985 through 1989, the rate shall be~~
25 ~~5.65 percent; and~~

~~“(6) with respect to wages paid after December 31, 1989, the rate shall be 6.20 percent.”.~~

~~“(2) Section 1401 (a) of such Code (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out “a tax” and all that follows and inserting in lieu thereof the following: “a tax as follows:~~

~~“(1) in the case of any taxable year beginning before January 1, 1978, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year;~~

~~“(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1981, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;~~

~~“(3) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1982, the tax shall be equal to 7.00 percent of the amount of the self-employment income for such taxable year;~~

~~“(4) in the case of any taxable year beginning after December 31, 1981, and before January 1, 1985, the tax shall be equal to 8.05 percent of the amount of the self-employment income for such taxable year;~~

~~“(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the~~

1 ~~tax shall be equal to 8.45 percent of the amount of the~~
2 ~~self-employment income for such taxable year; and~~

3 ~~“(6) in the case of any taxable year beginning~~
4 ~~after December 31, 1980, the tax shall be equal to 9.30~~
5 ~~percent of the amount of the self-employment income~~
6 ~~for such taxable year.”.~~

7 ~~(b) (1) Section 3101 (b) of such Code (relating to rate~~
8 ~~of tax on employees for purposes of hospital insurance) is~~
9 ~~amended by striking out paragraphs (1) through (4) and~~
10 ~~inserting in lieu thereof the following:~~

11 ~~“(1) with respect to wages received during the~~
12 ~~calendar years 1974 through 1977, the rate shall be~~
13 ~~0.90 percent;~~

14 ~~“(2) with respect to wages received during the~~
15 ~~calendar years 1978 through 1980, the rate shall be~~
16 ~~1.00 percent;~~

17 ~~“(3) with respect to wages received during the~~
18 ~~calendar years 1981 through 1985, the rate shall be~~
19 ~~1.30 percent; and~~

20 ~~“(4) with respect to wages received after Decem-~~
21 ~~ber 31, 1985, the rate shall be 1.45 percent.”.~~

22 ~~(2) Section 3111 (b) of such Code (relating to rate of~~
23 ~~tax on employers for purposes of hospital insurance) is~~
24 ~~amended by striking out paragraphs (1) through (4) and~~
25 ~~inserting in lieu thereof the following:~~

1 ~~"(1) with respect to wages paid during the cal-~~
 2 ~~endar years 1974 through 1977, the rate shall be 0.90~~
 3 ~~percent;~~

4 ~~"(2) with respect to wages paid during the cal-~~
 5 ~~endar years 1978 through 1980, the rate shall be 1.00~~
 6 ~~percent;~~

7 ~~"(3) with respect to wages paid during the cal-~~
 8 ~~endar years 1981 through 1985, the rate shall be 1.30~~
 9 ~~percent; and~~

10 ~~"(4) with respect to wages paid after December 31,~~
 11 ~~1985, the rate shall be 1.45 percent."~~

12 ~~(3) Section 1401 (b) of such Code (relating to tax on~~
 13 ~~self-employment income for purposes of hospital insurance)~~
 14 ~~is amended by striking out paragraphs (1) through (4) and~~
 15 ~~inserting in lieu thereof the following:~~

16 ~~"(1) - in the case of any taxable year beginning~~
 17 ~~after December 31, 1973, and before January 1, 1978,~~
 18 ~~the tax shall be equal to 0.90 percent of the amount of~~
 19 ~~the self-employment income for such taxable year;~~

20 ~~"(2) in the case of any taxable year beginning after~~
 21 ~~December 31, 1977, and before January 1, 1981, the~~
 22 ~~tax shall be equal to 1.00 percent of the amount of the~~
 23 ~~self-employment income for such taxable year;~~

24 ~~"(3) in the case of any taxable year beginning after~~
 25 ~~December 31, 1980, and before January 1, 1986, the~~

1 tax shall be equal to 1.30 percent of the amount of the
 2 self-employment income for such taxable year; and

3 “~~(4) in the case of any taxable year beginning after~~
 4 ~~December 31, 1985, the tax shall be equal to 1.45 per-~~
 5 ~~cent of the amount of the self-employment income for~~
 6 ~~such taxable year.”.~~

7 ~~ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND~~

8 ~~Sec. 102. (a) (1) Section 201(b) (1) of the Social~~
 9 ~~Security Act is amended by striking out clauses (G)~~
 10 ~~through (J) and inserting in lieu thereof the following:~~
 11 ~~“(G) 1.55 per centum of the wages (as so defined) paid~~
 12 ~~after December 31, 1977, and before January 1, 1979, and~~
 13 ~~so reported, (H) 1.50 per centum of the wages (as so~~
 14 ~~defined) paid after December 31, 1978, and before Janu-~~
 15 ~~ary 1, 1981, and so reported, (I) 1.60 per centum of the~~
 16 ~~wages (as so defined) paid after December 31, 1980, and~~
 17 ~~before January 1, 1985, and so reported, (J) 1.80 per~~
 18 ~~centum of the wages (as so defined) paid after Decem-~~
 19 ~~ber 31, 1984, and before January 1, 1990, and so reported,~~
 20 ~~and (K) 2.20 per centum of the wages (as so defined)~~
 21 ~~paid after December 31, 1989, and so reported,”.~~

22 ~~(2) Section 201(b) (2) of such Act is amended by~~
 23 ~~striking out clauses (G) through (J) and inserting in lieu~~
 24 ~~thereof the following: “(G) 1.090 per centum of the amount~~
 25 ~~of self-employment income (as so defined) so reported for any~~

~~1 taxable year beginning after December 31, 1977, and before~~
~~2 January 1, 1979, (H) 1.055 per centum of the amount of~~
~~3 self-employment income (as so defined) so reported for any~~
~~4 taxable year beginning after December 31, 1978, and before~~
~~5 January 1, 1981, (I) 1.200 per centum of the amount of~~
~~6 self-employment income (as so defined) so reported for any~~
~~7 taxable year beginning after December 31, 1980, and before~~
~~8 January 1, 1985, (J) 1.350 per centum of the amount of~~
~~9 self-employment income (as so defined) so reported for any~~
~~10 taxable year beginning after December 31, 1984, and before~~
~~11 January 1, 1990, and (K) 1.650 per centum of the amount~~
~~12 of self-employment income (as so defined) so reported for~~
~~13 any taxable year beginning after December 31, 1989.”.~~

~~14 INCREASES IN EARNINGS BASE~~

~~15 SEC. 103. (a) (1) Section 230 (a) of the Social Security~~
~~16 Act is amended by inserting “or (c)” after “determined~~
~~17 under subsection (b)”.~~

~~18 (2) Section 230 (b) of such Act is amended by striking~~
~~19 out “shall be” in the matter preceding paragraph (1) and~~
~~20 inserting in lieu thereof “shall (subject to subsection (c))~~
~~21 be”.~~

~~22 (b) Section 230 (c) of such Act is amended—~~

~~23 (1) by inserting “(1)” immediately before “the~~
~~24 ‘contribution and benefit base’”; and~~

1 ~~(2) by striking out "section." and inserting in lieu~~
2 ~~thereof the following:~~

3 ~~"section, and (2) the 'contribution and benefit base' with~~
4 ~~respect to remuneration paid (and taxable years begin-~~
5 ~~ning)—~~

6 ~~"(A) in 1978 shall be \$10,000,~~

7 ~~"(B) in 1979 shall be \$22,000,~~

8 ~~"(C) in 1980 shall be \$25,000, and~~

9 ~~"(D) in 1981 shall be \$20,700.~~

10 ~~For purposes of determining under subsection (b) the 'con-~~
11 ~~tribution and benefit base' with respect to remuneration paid~~
12 ~~(and taxable years beginning) in 1982 and subsequent years,~~
13 ~~the dollar amounts specified in clause (2) of the preceding~~
14 ~~sentence shall be considered to have resulted from the applica-~~
15 ~~tion of such subsection (b) and to be the amount determined~~
16 ~~(with respect to the years involved) under that subsection.~~

17 ~~For purposes of determining employer tax liability under~~
18 ~~section 3221 (a) of the Internal Revenue Code of 1954 and~~
19 ~~for purposes of computing average monthly compensation~~
20 ~~under section 3 (j) of the Railroad Retirement Act of 1974,~~
21 ~~except with respect to annuity amounts determined under~~
22 ~~section 3 (a) or 3 (f) (3) of such Act, clause (2) and the~~
23 ~~preceding sentence of this subsection shall be disregarded."~~

1 ~~(c) (1) Section 230 of such Act is further amended by~~
 2 ~~adding at the end thereof the following new subsection:~~

3 ~~"(d) Notwithstanding any other provision of law, the~~
 4 ~~contribution and benefit base determined under this section~~
 5 ~~for any calendar year after 1976 for purposes of section~~
 6 ~~4022 (b) (3) (B) of Public Law 93-406, with respect to any~~
 7 ~~plan, shall be the contribution and benefit base that would~~
 8 ~~have been determined for such year if this section as in effect~~
 9 ~~immediately prior to the enactment of the Social Security~~
 10 ~~Financing Amendments of 1977 had remained in effect~~
 11 ~~without change."~~

12 ~~(2) The amendment made by paragraph (1) shall~~
 13 ~~apply with respect to plan terminations occurring after the~~
 14 ~~date of the enactment of this Act.~~

15 ~~(d) (1) The second sentence of section 215 (i) (2) (D)~~
 16 ~~(v) of such Act is amended by striking out "is equal to~~
 17 ~~one-twelfth of the new contribution and benefit base" and~~
 18 ~~inserting in lieu thereof "is equal to, or exceeds by less than~~
 19 ~~\$5, one-twelfth of the new contribution and benefit base".~~

20 ~~(2) The third sentence of section 215 (i) (2) (D) (v)~~
 21 ~~of such Act is amended by striking out all that follows~~
 22 ~~"clause (iv)" and inserting in lieu thereof "plus 20 per~~
 23 ~~cent of the excess of the second figure in the last line of~~
 24 ~~column III as extended under the preceding sentence over~~

1 ~~such second figure for the calendar year in which the table~~
 2 ~~of benefits is revised.”~~

3 ~~STANDBY GUARANTEE OF TRUST FUND LEVELS~~

4 ~~SEC. 104. (a) Section 201 of the Social Security Act is~~
 5 ~~amended by adding at the end thereof the following new~~
 6 ~~subsection:~~

7 ~~“(j) (1) If at the close of any calendar year after 1977~~
 8 ~~the balance remaining in the Federal Old Age and Survivors~~
 9 ~~Insurance Trust Fund or the Federal Disability Insurance~~
 10 ~~Trust Fund (as determined by the Secretary of the Treasury~~
 11 ~~in the following February) is less than 25 percent of the~~
 12 ~~total amount of the expenditures made from such fund under~~
 13 ~~this title during that calendar year, there is hereby appro-~~
 14 ~~priated to the Secretary of the Treasury for loans to such~~
 15 ~~fund, out of any moneys in the Treasury not otherwise ap-~~
 16 ~~propriated, as of the following July 1, an amount equal~~
 17 ~~to the difference between (A) such balance, and (B) 27½~~
 18 ~~percent of the total amount of such expenditures.~~

19 ~~“(2) If at the close of any calendar year succeeding a~~
 20 ~~calendar year with respect to which an appropriation for~~
 21 ~~loans to either trust fund is made under paragraph (1)—~~

22 ~~“(A) the balance remaining in that fund (as deter-~~
 23 ~~mined by the Secretary of the Treasury in the following~~
 24 ~~February) is less than 35 percent of the total amount~~

1 of the expenditures made from such fund under this title
2 during such succeeding calendar year (whether or not
3 an appropriation for loans to such fund is made under
4 paragraph (1) with respect to such succeeding year),
5 and

6 “(B) the outstanding balance of all loans (includ-
7 ing accumulated interest) which were made to such
8 fund under paragraph (1) with respect to calendar years
9 before such succeeding year (and which have not been
10 repaid to the Treasury under paragraph (3)) is \$2,
11 000,000,000 or more,

12 the taxes imposed by sections 1401(a), 3101(a), and 3111
13 (a) of the Internal Revenue Code of 1954 with respect to
14 wages received or paid (and taxable years beginning) in
15 the second calendar year after such succeeding year shall
16 be increased as provided in section 3125 of such Code.

17 “(3) Any amount appropriated for loans to either
18 trust fund with respect to any calendar year under para-
19 graph (1) shall be repaid, with interest, by transfer from
20 such fund to the general fund of the Treasury. A repay-
21 ment of such amount shall be made on July 1 next succeed-
22 ing any subsequent calendar year at the close of which (as
23 determined by the Secretary of the Treasury in the follow-
24 ing February) the balance remaining in such fund exceeds

1 ~~30 percent of the total amount of the expenditures made~~
 2 ~~from such fund under this title during that calendar year,~~
 3 ~~and any such repayment shall be in an amount equal to~~
 4 ~~the difference between (A) such balance, and (B) 30 per-~~
 5 ~~cent of the total amount of such expenditures. Interest on~~
 6 ~~any such loan shall be at a rate, as determined by the Sec-~~
 7 ~~retary of the Treasury, equal to the average market yield~~
 8 ~~on the outstanding marketable obligations of the United~~
 9 ~~States of comparable maturities at the time the loan was~~
 10 ~~made.”.~~

11 ~~(b) (1) (A) Section 1401 (a) of the Internal Revenue~~
 12 ~~Code of 1954 (as amended by section 101 (a) (3) of this~~
 13 ~~Act) is amended by inserting “(subject to section 3125)”~~
 14 ~~after “a tax” in the matter preceding paragraph (1).~~

15 ~~(B) Sections 3101 (a) and 3111 (a) of such Code (as~~
 16 ~~amended by section 101 (a) (1) and (2) of this Act) are~~
 17 ~~each amended by inserting “(subject to section 3125)” after~~
 18 ~~“equal to the following percentages” in the matter pre-~~
 19 ~~ceding paragraph (1).~~

20 ~~(2) (A) Chapter 21 of such Code (the Federal Insur-~~
 21 ~~ance Contributions Act) is further amended by redesignating~~
 22 ~~sections 3125 and 3126 as sections 3126 and 3127, respec-~~
 23 ~~tively, and by inserting after section 3124 the following new~~
 24 ~~section:~~

1 ~~"SEC. 3125. INCREASE IN TAX RATES TO ASSURE REPAY-~~
 2 ~~MENT OF LOANS MADE TO TRUST FUNDS.~~

3 ~~"Whenever an appropriation has been made under sec-~~
 4 ~~tion 201 (j) (1) of the Social Security Act for loans to the~~
 5 ~~Federal Old Age and Survivors Insurance Trust Fund or~~
 6 ~~the Federal Disability Insurance Trust Fund, and section~~
 7 ~~201 (j) (2) of such Act applies with respect to a succeeding~~
 8 ~~calendar year, each of the rates of tax which would otherwise~~
 9 ~~be effective under sections 3101 (a) and 3111 (a) with re-~~
 10 ~~spect to wages received or paid in the second calendar year~~
 11 ~~after such succeeding year shall be increased by 0.10 percent,~~
 12 ~~and the rate or rates of tax which would otherwise be effective~~
 13 ~~under section 1401 (a) with respect to taxable years begin-~~
 14 ~~ning in the second year after such succeeding year shall be~~
 15 ~~increased by 0.15 percent."~~

16 (B) ~~The table of sections for subchapter C of chapter 21~~
 17 ~~of such Code is amended by striking out the last two items and~~
 18 ~~inserting in lieu thereof the following:~~

~~"Sec. 3125. Increase in tax rates to assure repayment of loans~~
~~made to trust funds.~~

~~"Sec. 3126. Returns in the case of governmental employees~~
~~in Guam, American Samoa, and the District~~
~~of Columbia.~~

~~"Sec. 3127. Short title."~~

19 ~~EFFECTIVE DATE~~

20 ~~SEC. 105. The amendments made by sections 101, 102,~~
 21 ~~and 103 shall apply with respect to remuneration paid or~~
 22 ~~received, and taxable years beginning, after 1977. The~~

1 ~~amendments made by section 104 shall apply with respect~~
 2 ~~to calendar years after 1977.~~

3 ~~TITLE II STABILIZATION OF REPLACEMENT~~
 4 ~~RATES IN THE OLD AGE, SURVIVORS, AND~~
 5 ~~DISABILITY INSURANCE PROGRAM~~

6 ~~COMPUTATION OF PRIMARY INSURANCE AMOUNT~~

7 ~~SEC. 201. (a) Section 215 (a) of the Social Security~~
 8 ~~Act is amended to read as follows:~~

9 ~~“(a) (1) (A) The primary insurance amount of an~~
 10 ~~individual shall (except as otherwise provided in this section)~~
 11 ~~be equal to the sum of—~~

12 ~~“(i) 90 percent of the individual’s average indexed~~
 13 ~~monthly earnings (determined under subsection (b))~~
 14 ~~to the extent that such earnings do not exceed the amount~~
 15 ~~established for purposes of this clause by subparagraph~~
 16 ~~(B);~~

17 ~~“(ii) 32 percent of the individual’s average indexed~~
 18 ~~monthly earnings to the extent that such earnings exceed~~
 19 ~~the amount established for purposes of clause (i) but do~~
 20 ~~not exceed the amount established for purposes of this~~
 21 ~~clause by subparagraph (B), and~~

22 ~~“(iii) 15 percent of the individual’s average in-~~
 23 ~~dexed monthly earnings to the extent that such earnings~~
 24 ~~exceed the amount established for purposes of clause (ii);~~

1 rounded in accordance with subsection (g), and thereafter
 2 increased as provided in subsection (i).

3 ~~"(B) (i) For individuals who initially become eligible~~
 4 ~~for old age or disability insurance benefits or die in the cal-~~
 5 ~~endar year 1979, the amounts established for purposes of~~
 6 ~~clauses (i) and (ii) of subparagraph (A) shall be \$180~~
 7 ~~and \$1,085, respectively.~~

8 ~~"(ii) For individuals who initially become eligible for~~
 9 ~~old age or disability insurance benefits or die in any calendar~~
 10 ~~year after 1979, each of the amounts so established shall~~
 11 ~~equal the product of the corresponding amount established~~
 12 ~~with respect to the calendar year 1979 under clause (i) of~~
 13 ~~this subparagraph and the quotient obtained by dividing—~~

14 ~~"(I) the average of the total wages (as defined in~~
 15 ~~regulations of the Secretary and computed without regard~~
 16 ~~to the limitations specified in section 209 (a)) reported~~
 17 ~~to the Secretary of the Treasury or his delegate for the~~
 18 ~~second calendar year preceding the calendar year for~~
 19 ~~which the determination is made, by~~

20 ~~"(II) the average of the total wages (as so defined~~
 21 ~~and computed) reported to the Secretary of the Treasury~~
 22 ~~or his delegate for the calendar year 1977.~~

23 ~~"(iii) Each amount established under clause (ii) for~~
 24 ~~any calendar year shall be rounded to the nearest \$1, except~~

1 ~~that any amount so established which is a multiple of \$0.50~~
 2 ~~but not of \$1 shall be rounded to the next higher \$1.~~

3 ~~“(C) (i) No primary insurance amount computed under~~
 4 ~~subparagraph (A) may be less than~~

5 ~~“(I) the dollar amount set forth on the first line of~~
 6 ~~column IV in the table of benefits contained in (or~~
 7 ~~deemed to be contained in) this subsection as in effect~~
 8 ~~in December 1978, rounded (if not a multiple of \$1) to~~
 9 ~~the next higher multiple of \$1, or~~

10 ~~“(II) an amount equal to \$11.50 multiplied by the~~
 11 ~~individual's years of coverage in excess of 10, or the~~
 12 ~~increased amount determined for purposes of this sub-~~
 13 ~~division under subsection (i),~~

14 ~~whichever is greater. No increase under subsection (i), oc-~~
 15 ~~curing before the year in which an individual becomes eli-~~
 16 ~~gible for old age or disability insurance benefits or dies, shall~~
 17 ~~apply to the dollar amount specified in subdivision (I) of~~
 18 ~~this clause with respect to such individual.~~

19 ~~“(ii) For purposes of clause (i) (II), the term ‘years~~
 20 ~~of coverage’ with respect to any individual means the num-~~
 21 ~~ber (not exceeding 30) equal to the sum of (I) the number~~
 22 ~~(not exceeding 14 and disregarding any fraction) deter-~~
 23 ~~mined by dividing (a) the total of the wages credited to~~
 24 ~~such individual (including wages deemed to be paid prior~~

1 ~~to 1951 to such individual under section 217, compensation~~
2 ~~under the Railroad Retirement Act of 1937 prior to 1951~~
3 ~~which is creditable to such individual pursuant to this title,~~
4 ~~and wages deemed to be paid prior to 1951 to such individual~~
5 ~~under section 231) for years after 1936 and before 1951~~
6 ~~by (b) \$900, plus (II) the number equal to the number of~~
7 ~~years after 1950 each of which is a computation base year~~
8 ~~(within the meaning of subsection (b) (2) (B) (ii)) and in~~
9 ~~each of which he is credited with wages (including wages~~
10 ~~deemed to be paid to such individual under section 217,~~
11 ~~compensation under the Railroad Retirement Act of 1937 or~~
12 ~~1974 which is creditable to such individual pursuant to this~~
13 ~~title, and wages deemed to be paid to such individual under~~
14 ~~section 229) and self-employment income of not less than 25~~
15 ~~percent of the maximum amount which, pursuant to subsec-~~
16 ~~tion (c), may be counted for such year, or of not less than 25~~
17 ~~percent of the maximum amount which could be so counted~~
18 ~~for such year (in the case of a year after 1977) if section 230~~
19 ~~as in effect immediately prior to the enactment of the Social~~
20 ~~Security Financing Amendments of 1977 had remained in~~
21 ~~effect without change.~~

22 ~~“(D) In each calendar year after 1978 the Secretary~~
23 ~~shall publish in the Federal Register, on or before Novem-~~
24 ~~ber 1, the formula for computing benefits under this para-~~
25 ~~graph and for adjusting wages and self-employment income~~

~~1 under subsection (b) (3) in the case of an individual who
 2 becomes eligible for an old age insurance benefit, or (if
 3 earlier) becomes eligible for a disability insurance benefit
 4 or dies, in the following year, and the average of the total
 5 wages (as described in subparagraph (B) (ii) (I)) on
 6 which that formula is based. With the initial publication re-
 7 quired by this subparagraph, the Secretary shall also publish
 8 in the Federal Register the average of the total wages (as
 9 so described) for each calendar year after 1950.~~

~~10 “(2) (A) A year shall not be counted as the year of an
 11 individual’s death or eligibility for purposes of this subsection
 12 or subsection (b) or (i) in any case where such individ-
 13 ual was entitled to a disability insurance benefit for any of the
 14 12 months immediately preceding the month of such death
 15 or eligibility (but there shall be counted instead the year of
 16 the individual’s eligibility for the disability insurance benefit
 17 or benefits to which he was entitled during such 12 months).~~

~~18 “(B) In the case of an individual who was entitled
 19 to a disability insurance benefit for any of the 12 months
 20 before the month in which he became entitled to an old age
 21 insurance benefit, became reentitled to a disability insurance
 22 benefit, or died, the primary insurance amount for determin-
 23 ing any benefit attributable to that entitlement, reentitlement,
 24 or death is the greater of—~~

~~25 “(i) the primary insurance amount upon which such~~

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

9 ~~“(ii) the amount computed under paragraph (1)~~
 10 ~~(C).~~

11 ~~“(C) In the case of an individual who was entitled to~~
 12 ~~a disability insurance benefit for any month, and with respect~~
 13 ~~to whom a primary insurance amount is required to be com-~~
 14 ~~puted at any time after the close of the period of the indi-~~
 15 ~~vidual's disability (whether because of such individual's~~
 16 ~~subsequent entitlement to old-age insurance benefits or to a~~
 17 ~~disability insurance benefit based upon a subsequent period~~
 18 ~~of disability, or because of such individual's death), the~~
 19 ~~primary insurance amount so computed may in no case be~~
 20 ~~less than the primary insurance amount with respect to~~
 21 ~~which such former disability insurance benefit was most re-~~
 22 ~~cently determined.~~

23 ~~“(3) (A) Paragraph (1) applies only to an individual~~
 24 ~~who was not eligible for an old-age insurance benefit prior~~
 25 ~~to January 1979 and who in that or any succeeding month~~

1 ~~“(i) becomes eligible for such a benefit.~~

2 ~~“(ii) becomes eligible for a disability insurance~~
 3 ~~benefit, or~~

4 ~~“(iii) dies,~~

5 ~~and (except for subparagraph (C) (i) (II) thereof) it ap-~~
 6 ~~plies to every such individual except to the extent otherwise~~
 7 ~~provided by paragraph (4).~~

8 ~~“(B) For purposes of this title, an individual is deemed~~
 9 ~~to be eligible—~~

10 ~~“(i) for old age insurance benefits, for months~~
 11 ~~beginning with the month in which he attains age 62, or~~

12 ~~“(ii) for disability insurance benefits, for months~~
 13 ~~beginning with the month in which his period of dis-~~
 14 ~~ability began as provided under section 216 (i) (2) (C),~~
 15 ~~except as provided in paragraph (2) (A) in cases where~~
 16 ~~fewer than 12 months have elapsed since the termination of a~~
 17 ~~prior period of disability.~~

18 ~~“(4) Paragraph (1) (except for subparagraph (C) (i)~~
 19 ~~(II) thereof) does not apply to the computation or recom-~~
 20 ~~putation of a primary insurance amount for—~~

21 ~~“(A) an individual who was eligible for a disability~~
 22 ~~insurance benefit for a month prior to January 1979~~
 23 ~~unless, prior to the month in which occurs the event~~
 24 ~~described in clause (i), (ii), or (iii) of paragraph (3)~~
 25 ~~(A), there occurs a period of at least 12 consecutive~~

1 ~~months for which he was not entitled to a disability~~
 2 ~~insurance benefit, or~~

3 ~~“(B) an individual who had wages or self-employ-~~
 4 ~~ment income credited for one or more years prior to~~
 5 ~~1979, and who was not eligible for an old-age or disa-~~
 6 ~~bility insurance benefit, and did not die, prior to January~~
 7 ~~1979, if in the year for which the computation or re-~~
 8 ~~computation would be made the individual's primary~~
 9 ~~insurance amount would be greater if computed or~~
 10 ~~recomputed—~~

11 ~~“(i) under section 215(a) as in effect in~~
 12 ~~December 1978, for purposes of old-age insurance~~
 13 ~~benefits in the case of an individual who becomes~~
 14 ~~eligible for such benefits prior to 1989, or~~

15 ~~“(ii) as provided by section 215(d), in the~~
 16 ~~case of an individual to whom such section applies.~~

17 ~~In determining whether an individual's primary insurance~~
 18 ~~amount would be greater if computed or recomputed as pro-~~
 19 ~~vided in subparagraph (B), (I) the table of benefits in~~
 20 ~~effect in December 1978 shall be applied without regard~~
 21 ~~to any increases in that table which may become effective~~
 22 ~~(in accordance with subsection (i) (1)) for years after~~
 23 ~~1978 (subject to subsection (i) (2) (A) (iii)) and (II)~~
 24 ~~such individual's average monthly wage shall be computed as~~
 25 ~~provided by subsection (b) (1).~~

1 ~~“(5) For purposes of computing the primary insurance~~
 2 ~~amount (after December 1978) of an individual to whom~~
 3 ~~paragraph (1) does not apply (other than an individual~~
 4 ~~described in paragraph (4) (B)), this section as in effect~~
 5 ~~in December 1978 shall remain in effect, except that, effec-~~
 6 ~~tive for January 1979, the dollar amount specified in para-~~
 7 ~~graph (3) of subsection (a) shall be increased to \$11.50.~~
 8 ~~The table for determining primary insurance amounts and~~
 9 ~~maximum family benefits contained in this section in Decem-~~
 10 ~~ber 1978 shall be revised as provided by subsection (i) for~~
 11 ~~each year after 1978.”.~~

12 ~~(b) Section 215 (b) of such Act is amended to read as~~
 13 ~~follows:~~

14 ~~“Average Indexed Monthly Earnings; Average Monthly~~
 15 ~~Wage~~

16 ~~“(b) (1) An individual’s average indexed monthly~~
 17 ~~earnings shall be equal to the quotient obtained by dividing—~~

18 ~~“(A) the total (after adjustment under paragraph~~
 19 ~~(3)) of his wages paid in and self-employment income~~
 20 ~~credited to his benefit computation years (determined~~
 21 ~~under paragraph (2)), by~~

22 ~~“(B) the number of months in those years.~~

23 ~~“(2) (A) The number of an individual’s benefit com-~~
 24 ~~putation years equals the number of elapsed years, reduced~~

1 ~~by five, except that the number of an individual's benefit~~
 2 ~~computation years may not be less than two.~~

3 ~~“(B) For purposes of this subsection with respect to~~
 4 ~~any individual—~~

5 ~~“(i) the term ‘benefit computation years’ means~~
 6 ~~those computation base years, equal in number to the~~
 7 ~~number determined under subparagraph (A), for which~~
 8 ~~the total of such individual's wages and self-employment~~
 9 ~~income, after adjustment under paragraph (3), is the~~
 10 ~~largest;~~

11 ~~“(ii) the term ‘computation base years’ means the~~
 12 ~~calendar years after 1950 and before—~~

13 ~~“(I) in the case of an individual entitled to~~
 14 ~~old age insurance benefits, the year in which oc-~~
 15 ~~curred (whether by reason of section 202 (j) (1) or~~
 16 ~~otherwise) the first month of that entitlement; or~~

17 ~~“(II) in the case of an individual who has~~
 18 ~~died (without having become entitled to old age in-~~
 19 ~~surance benefits), the year succeeding the year of~~
 20 ~~his death;~~

21 ~~except that such term excludes any calendar year en-~~
 22 ~~tirely included in a period of disability; and~~

23 ~~“(iii) the term ‘number of elapsed years’ means~~
 24 ~~(except as otherwise provided by section 101 (j) (2)~~
 25 ~~of the Social Security Amendments of 1972) the num-~~

1 ~~ber of calendar years after 1950 (or, if later, the year~~
 2 ~~in which the individual attained age 21) and before the~~
 3 ~~year in which the individual died, or, if it occurred~~
 4 ~~earlier but after 1960, the year in which he attained age~~
 5 ~~62; except that such term excludes any calendar year any~~
 6 ~~part of which is included in a period of disability.~~

7 ~~“(3) (A) Except as provided by subparagraph (B),~~
 8 ~~the wages paid in and self-employment income credited to~~
 9 ~~each of an individual’s computation base years for purposes~~
 10 ~~of the selection therefrom of benefit computation years under~~
 11 ~~paragraph (2) shall be deemed to be equal to the product~~
 12 ~~of—~~

13 ~~“(i) the wages and self-employment income paid~~
 14 ~~in or credited to such year (as determined without re-~~
 15 ~~gard to this subparagraph), and~~

16 ~~“(ii) the quotient obtained by dividing—~~

17 ~~“(I) the average of the total wages (as defined~~
 18 ~~in regulations of the Secretary and computed with-~~
 19 ~~out regard to the limitations specified in section 209~~
 20 ~~(a)) reported to the Secretary of the Treasury or~~
 21 ~~his delegate for the second calendar year (after~~
 22 ~~1976) preceding the year of the individual’s death~~
 23 ~~or initial eligibility for an old-age or disability in-~~
 24 ~~surance benefit, whichever is earliest, by~~

25 ~~“(II) the average of the total wages (as so~~

1 ~~defined and computed) reported to the Secretary~~
 2 ~~of the Treasury or his delegate for the computation~~
 3 ~~base year for which the determination is made.~~

4 ~~“(B) Wages paid in or self-employment income~~
 5 ~~credited to an individual’s computation base year which—~~

6 ~~“(i) occurs after the second calendar year specified~~
 7 ~~in subparagraph (A) (ii) (I), or~~

8 ~~“(ii) is a year treated under subsection (f) (2) (C)~~
 9 ~~as though it were the last year of the period specified~~
 10 ~~in subsection (b) (2) (B) (ii),~~

11 ~~shall be available for use in determining an individual’s bene-~~
 12 ~~fit computation years, but without applying subparagraph~~
 13 ~~(A) of this paragraph.~~

14 ~~“(4) For purposes of determining the average monthly~~
 15 ~~wage of an individual whose primary insurance amount is~~
 16 ~~computed (after 1978) under section 215 (a) or 215 (d)~~
 17 ~~as in effect (except with respect to the table contained~~
 18 ~~therein) in December 1978, by reason of subsection (a)~~
 19 ~~(4) (B), this subsection as in effect in December 1978~~
 20 ~~shall remain in effect, except that paragraph (2) (C) (as~~
 21 ~~then in effect) shall be deemed to provide that ‘computation~~
 22 ~~base years’ include only calendar years in the period after~~
 23 ~~1950 (or 1936, if applicable) and prior to the year in~~
 24 ~~which occurred the first month for which the individual was~~
 25 ~~eligible (as defined in subsection (a) (3) (B) as in effect~~

1 ~~in January 1979) for an old-age or disability insurance~~
 2 ~~benefit, or died. Any calendar year all of which is included~~
 3 ~~in a period of disability shall not be included as a computa-~~
 4 ~~tion base year for such purposes.”.~~

5 ~~(e) Section 215(e) of such Act is amended to read~~
 6 ~~as follows:~~

7 ~~“Application of Prior Provisions in Certain Cases~~

8 ~~“(c) This subsection as in effect in December 1978~~
 9 ~~shall remain in effect with respect to an individual to whom~~
 10 ~~subsection (a) (1) does not apply by reason of the indi-~~
 11 ~~vidual’s eligibility for an old-age or disability insurance bene-~~
 12 ~~fit, or the individual’s death, prior to 1979.”.~~

13 ~~(d) (1) The matter in the text of section 215(d) of~~
 14 ~~such Act which precedes paragraph (1) (C) is amended to~~
 15 ~~read as follows:~~

16 ~~“(d) (1) For purposes of column I of the table appear-~~
 17 ~~ing in subsection (a), as that subsection was in effect in~~
 18 ~~December 1977, an individual’s primary insurance benefit~~
 19 ~~shall be computed as follows:~~

20 ~~“(A) The individual’s average monthly wage shall~~
 21 ~~be determined as provided in subsection (b), as in effect~~
 22 ~~in December 1977 (but without regard to paragraph~~
 23 ~~(4) thereof), except that for purposes of paragraphs~~
 24 ~~(2) (C) and (3) of that subsection (as so in effect)-~~
 25 ~~1936 shall be used instead of 1950.~~

~~1 “(B) For purposes of subparagraphs (B) and~~
~~2 (C) of subsection (b) (2) (as so in effect), the total~~
~~3 wages prior to 1951 (as defined in subparagraph (C)~~
~~4 of this paragraph) of an individual who attained age~~
~~5 21 after 1936 and prior to 1951 shall be divided by the~~
~~6 number of years (hereinafter in this subparagraph re-~~
~~7 ferred to as the ‘divisor’) elapsing after the year in~~
~~8 which the individual attained age 21 and prior to the~~
~~9 earlier of 1951 or the year of the individual’s death.~~
~~10 The quotient so obtained shall be deemed to be the indi-~~
~~11 vidual’s wages credited to each of the years included in~~
~~12 the divisor, except that—~~

~~13 “(i) if the quotient exceeds \$3,000, only \$3,000~~
~~14 shall be deemed to be the individual’s wages for each~~
~~15 of years included in the divisor, and the remainder of~~
~~16 the individual’s total wages prior to 1951 (I) if less~~
~~17 than \$3,000, shall be deemed credited to the year in~~
~~18 which the individual attained age 21, or (II) if~~
~~19 \$3,000 or more, shall be deemed credited, in \$3,000~~
~~20 increments, to the year in which the individual at-~~
~~21 tained age 21 and to each year consecutively preced-~~
~~22 ing that year, with any remainder less than \$3,000~~
~~23 being credited to the year immediately preceding the~~
~~24 earliest year to which a full \$3,000 increment was~~
~~25 credited; and~~

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

4 ~~(2) Section 215(d)(1)(D) of such Act is amended~~
5 ~~to read as follows:~~

6 ~~"(D) The individual's primary insurance benefit~~
7 ~~shall be 40 percent of the first \$50 of his average~~
8 ~~monthly wage as computed under this subsection, plus~~
9 ~~10 percent of the next \$200 of his average monthly~~
10 ~~wage, increased by 1 percent for each increment year.~~
11 ~~The number of increment years is the number, not more~~
12 ~~than 14 nor less than 4, that is equal to the individual's~~
13 ~~total wages prior to 1951 divided by \$1,650 (disre-~~
14 ~~garding any fraction)."~~

15 ~~(3) Section 215(d)(3) of such Act is amended (A)~~
16 ~~by striking out "in the case of an individual" and all that~~
17 ~~follows and inserting in lieu thereof the following "in the~~
18 ~~case of an individual who had a period of disability which~~
19 ~~began prior to 1951, but only if the primary insurance amount~~
20 ~~resulting therefrom is higher than the primary insurance~~
21 ~~amount resulting from the application of this section (as~~
22 ~~amended by the Social Security Amendments of 1967) and~~
23 ~~section 220."~~

24 ~~(4) Section 215(d) of such Act is further amended by~~
25 ~~adding at the end thereof the following new paragraph:~~

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

5 ~~(c) Section 215 (c) of such Act is amended—~~

6 ~~(1) by striking out “average monthly wage” each~~
 7 ~~place it appears and inserting in lieu thereof “average~~
 8 ~~indexed monthly earnings or, in the case of an individual~~
 9 ~~whose primary insurance amount is computed under~~
 10 ~~section 215 (a) as in effect prior to January 1979, aver-~~
 11 ~~age monthly wage,” and~~

12 ~~(2) by inserting immediately before “of (A)” in~~
 13 ~~paragraph (1) the following: “(before the application,~~
 14 ~~in the case of average indexed monthly earnings, of~~
 15 ~~subsection (b) (3) (A))”.~~

16 ~~(f) (1) Section 215 (f) (2) of this Act is amended to~~
 17 ~~read as follows:~~

18 ~~“(2) (A) If an individual has wages or self-employ-~~
 19 ~~ment income for a year after 1978 for any part of which he~~
 20 ~~is entitled to old-age or disability insurance benefits, the~~
 21 ~~Secretary shall, at such time or times and within such period~~
 22 ~~as he may by regulation prescribe, recompute the individual’s~~
 23 ~~primary insurance amount for that year.~~

24 ~~“(B) For the purpose of applying subparagraph (A)~~
 25 ~~of subsection (a) (1) to the average indexed monthly earn-~~

~~ings of an individual to whom that subsection applies and~~
~~who receives a recomputation under this paragraph, there~~
~~shall be used, in lieu of the amounts established by subsection~~
~~(a) (1) (B) for purposes of clauses (i) and (ii) of subsec-~~
~~tion (a) (1) (A), the amounts so established that were (or,~~
~~in the case of an individual described in subsection (a)~~
~~(4) (B), would have been) used in the computation of such~~
~~individual's primary insurance amount prior to the applica-~~
~~tion of this subsection.~~

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

~~“(D) A recomputation under this paragraph with re-~~
~~spect to any year shall be effective—~~

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

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

1 ~~(2) Section 215 (f) (3) of such Act is repealed.~~

2 ~~(3) Section 215 (f) (4) of such Act is amended to read~~
3 ~~as follows:~~

4 ~~“(4) A recomputation shall be effective under this sub-~~
5 ~~section only if it increases the primary insurance amount~~
6 ~~by at least \$1.”.~~

7 ~~(4) Section 215 (f) of such Act is further amended by~~
8 ~~adding at the end thereof the following new paragraphs:~~

9 ~~“(7) This subsection as in effect in December 1978~~
10 ~~shall continue to apply to the recomputation of a primary~~
11 ~~insurance amount computed under subsection (a) or (d)~~
12 ~~as in effect (without regard to the table in subsection (a))~~
13 ~~in that month, and, where appropriate, under subsection (d)~~
14 ~~as in effect in December 1977. For purposes of recomputing~~
15 ~~a primary insurance amount determined under subsection~~
16 ~~(a) or (d) (as so in effect) in the case of an individual to~~
17 ~~whom those subsections apply by reason of subsection~~
18 ~~(a) (4) (B) as in effect after December 1978, no remu-~~
19 ~~neration shall be taken into account for the year in which the~~
20 ~~individual initially became eligible for an old-age or dis-~~
21 ~~ability insurance benefit or died, or for any year thereafter.~~

22 ~~“(8) The Secretary shall recompute the primary in-~~
23 ~~surance amounts applicable to beneficiaries whose benefits~~
24 ~~are based on a primary insurance amount which was com-~~
25 ~~puted under section 215 (a) (3) effective prior to Janu-~~

1 ~~ary 1979, or would have been so computed if the dollar~~
 2 ~~amount specified therein were \$11.50. Such recomputation~~
 3 ~~shall be effective January 1979, and shall include the effect~~
 4 ~~of the increase in the dollar amount provided by section 215~~
 5 ~~(a) (1) (C) (i) (II). Such primary insurance amount shall~~
 6 ~~be deemed to be provided under such section for purposes of~~
 7 ~~section 215 (i)."~~

8 ~~(g) (1) Section 215 (i) (2) (A) (ii) of such Act is~~
 9 ~~amended to read as follows:~~

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

14 ~~"(I) the benefit amount to which individuals are~~
 15 ~~entitled for that month under section 227 or 228,~~

16 ~~"(II) the primary insurance amount of each other~~
 17 ~~individual on which benefit entitlement is based under~~
 18 ~~this title (including a primary insurance amount deter-~~
 19 ~~mined under subsection (a) (1) (C) (i)), and~~

20 ~~"(III) the amount of total monthly benefits based~~
 21 ~~on any primary insurance amount which is permitted~~
 22 ~~under section 203 (and such total shall be increased,~~
 23 ~~unless otherwise so increased under another provision of~~
 24 ~~this title, at the same time as such primary insurance~~
 25 ~~amount) or, in the case of a primary insurance amount~~

1 ~~computed under subsection (a) as in effect (without~~
2 ~~regard to the table contained therein) prior to January~~
3 ~~1979, the amount to which the beneficiaries may be~~
4 ~~entitled under section 203 as in effect in December 1978,~~
5 ~~except as provided by section 203 (a) (6) and (7) as~~
6 ~~in effect after December 1978.~~

7 ~~The increase shall be derived by multiplying each of the~~
8 ~~amounts described in subdivisions (I), (II), and (III)~~
9 ~~(including each of those amounts as previously increased~~
10 ~~under this subparagraph) by the same percentage (rounded~~
11 ~~to the nearest one-tenth of 1 percent) as the percentage by~~
12 ~~which the Consumer Price Index for that cost-of-living com-~~
13 ~~putation quarter exceeds such index for the most recent prior~~
14 ~~calendar quarter which was a base quarter under paragraph~~
15 ~~(1) (A) (ii) or, if later, the most recent cost-of-living~~
16 ~~computation quarter under paragraph (1) (B); and any~~
17 ~~amount so increased that is not a multiple of \$0.10 shall be~~
18 ~~increased to the next higher multiple of \$0.10. Any increase~~
19 ~~under this subsection in a primary insurance amount deter-~~
20 ~~mined under subparagraph (C) (i) (II) of subsection (a)~~
21 ~~(1) shall be applied after the initial determination of such~~
22 ~~primary insurance amount under that subparagraph (with~~
23 ~~the amount of such increase, in the case of an individual who~~
24 ~~becomes eligible for old-age or disability insurance benefits or~~
25 ~~dies in a calendar year after 1979, being determined from the~~

1 ~~range of possible primary insurance amounts published by the~~
2 ~~Secretary under the last sentence of subparagraph (D)).”.~~

3 ~~(2) Section 215 (i) (2) (A) of such Act is amended by~~
4 ~~adding at the end thereof the following new clause:~~

5 ~~“(iii) In the case of an individual who becomes eligible~~
6 ~~for an old-age or disability insurance benefit, or who dies~~
7 ~~prior to becoming so eligible, in a year in which there occurs~~
8 ~~an increase provided under clause (ii), the individual’s pri-~~
9 ~~mary insurance amount (without regard to the time of entitle-~~
10 ~~ment to that benefit) shall be increased (unless otherwise so~~
11 ~~increased under another provision of this title) by the amount~~
12 ~~of that increase, but only with respect to benefits payable for~~
13 ~~months after May of that year.”.~~

14 ~~(3) Section 215 (i) (2) (D) of such Act (as amended~~
15 ~~by section 103 of this Act) is further amended by striking~~
16 ~~out all that follows the first sentence and inserting in lieu~~
17 ~~thereof the following: “He shall also publish in the Federal~~
18 ~~Register at that time (i) a revision of the range of the pri-~~
19 ~~mary insurance amounts which are possible after the appli-~~
20 ~~cation of this subsection based on the dollar amount specified~~
21 ~~in subparagraph (C) (i) (II) of subsection (a) (1) (with~~
22 ~~such revised primary insurance amounts constituting the~~
23 ~~increased amounts determined for purposes of such subpara-~~
24 ~~graph (C) (i) (II) under this subsection), or specified in~~
25 ~~section 215 (a) (3) as in effect prior to 1970, and (ii) a~~

1 ~~revision of the range of maximum family benefits which cor-~~
 2 ~~respond to such primary insurance amounts (with such~~
 3 ~~maximum benefits being effective notwithstanding section~~
 4 ~~203 (a) except for paragraph (3) (B) thereof (or para-~~
 5 ~~graph (2) thereof as in effect prior to 1979)).~~”.

6 ~~(4) Section 215 (i) of such Act is further amended by~~
 7 ~~adding at the end thereof the following new paragraph:~~

8 ~~“(4) This subsection as in effect in December 1978 shall~~
 9 ~~continue to apply to subsections (a) and (d), as then in~~
 10 ~~effect, for purposes of computing the primary insurance~~
 11 ~~amount of an individual to whom subsection (a), as in effect~~
 12 ~~after December 1978, does not apply (including an individ-~~
 13 ~~ual to whom subsection (a) does not apply in any year by~~
 14 ~~reason of paragraph (4) (B) of that subsection (but the~~
 15 ~~application of this subsection in such cases shall be modified~~
 16 ~~by the application of clause (I) in the last sentence of para-~~
 17 ~~graph (4) of that subsection)). For purposes of computing~~
 18 ~~primary insurance amounts and maximum family benefits~~
 19 ~~(other than primary insurance amounts and maximum~~
 20 ~~family benefits for individuals to whom such paragraph (4)~~
 21 ~~(B) applies), the Secretary shall publish in the Federal~~
 22 ~~Register revisions of the table of benefits contained in sub-~~
 23 ~~section (a), as in effect in December 1978, as required by~~
 24 ~~paragraph (2) (D) of this subsection as then in effect.”~~

~~MAXIMUM BENEFITS~~

~~SEC. 202. Section 203 (a) of the Social Security Act is amended to read as follows:~~

~~“Maximum Benefits~~

~~“(a) (1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215 (a) (1) or (4), or section 215 (d), as in effect after December 1978, the total monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of such individual shall, except as provided by paragraph (3) (but prior to any increases resulting from the application of paragraph (2) (A) (ii) (III) of section 215 (i)), be reduced as necessary so as not to exceed—~~

~~“(A) 150 percent of such individual’s primary insurance amount to the extent that it does not exceed the amount established with respect to this subparagraph by paragraph (2),~~

~~“(B) 272 percent of such individual’s primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (A) but does not exceed the amount established with respect to this subparagraph by paragraph (2),~~

~~“(C) 134 percent of such individual’s primary in-~~

1 ~~surance amount to the extent that it exceeds the amount~~
 2 ~~established with respect to subparagraph (B) but does~~
 3 ~~not exceed the amount established with respect to this~~
 4 ~~subparagraph by paragraph (2), and~~

5 ~~“(D) 175 percent of such individual’s primary in-~~
 6 ~~surance amount to the extent that it exceeds the amount~~
 7 ~~established with respect to subparagraph (C).~~

8 ~~Any such amount that is not a multiple of \$0.10 shall be~~
 9 ~~increased to the next higher multiple of \$0.10.~~

10 ~~“(2) (A) For individuals who initially become eligible~~
 11 ~~for old-age or disability insurance benefits or die in the calen-~~
 12 ~~dar year 1979, the amounts established with respect to sub-~~
 13 ~~paragraphs (A), (B), and (C) of paragraph (1) shall be~~
 14 ~~\$230, \$332, and \$433, respectively.~~

15 ~~“(B) For individuals who initially become eligible for~~
 16 ~~old-age or disability insurance benefits or die in any calendar~~
 17 ~~year after 1979, each of the amounts so established shall~~
 18 ~~equal the product of the corresponding amount established~~
 19 ~~for the calendar year 1979 by subparagraph (A) of this~~
 20 ~~paragraph and the quotient obtained under subparagraph~~
 21 ~~(B) (ii) of section 215 (a) (1), with such product being~~
 22 ~~rounded in the manner prescribed by section 215 (a) (1)~~
 23 ~~(B) (iii).~~

24 ~~“(C) In each calendar year after 1978 the Sec-~~

1 ~~retary shall publish in the Federal Register, on or before~~
2 ~~November 1, the formula which (except as provided in sec-~~
3 ~~tion 215 (i) (2) (D)) is to be applicable under this para-~~
4 ~~graph to individuals who become eligible for old-age or~~
5 ~~disability insurance benefits, or die, in the following calendar~~
6 ~~year.~~

7 ~~“(D) A year shall not be counted as the year of an~~
8 ~~individual’s death or eligibility for purposes of this para-~~
9 ~~graph or paragraph (7) in any case where such individual~~
10 ~~was entitled to a disability insurance benefit for any of the~~
11 ~~12 months immediately preceding the month of such death~~
12 ~~or eligibility (but there shall be counted instead the year of~~
13 ~~the individual’s eligibility for the disability insurance benefits~~
14 ~~to which he was entitled during such 12 months).~~

15 ~~“(3) (A) When an individual who is entitled to bene-~~
16 ~~fits on the basis of the wages and self-employment income~~
17 ~~of any insured individual and to whom this subsection~~
18 ~~applies would (but for the provisions of section 202 (k) (2)~~
19 ~~(A)) be entitled to child’s insurance benefits for a month~~
20 ~~on the basis of the wages and self-employment income of~~
21 ~~one or more other insured individuals, the total monthly~~
22 ~~benefits to which all beneficiaries are entitled on the basis~~
23 ~~of such wages and self-employment income shall not be~~
24 ~~reduced under this subsection to less than the smaller of—~~

1 ~~“(i) the sum of the maximum amounts of bene-~~
 2 ~~fits payable on the basis of the wages and self-employ-~~
 3 ~~ment income of all such insured individuals, or~~

4 ~~“(ii) an amount equal to the product of 1.75 and~~
 5 ~~the primary insurance amount that would be computed~~
 6 ~~under section 215 (a) (1) for that month with respect~~
 7 ~~to average indexed monthly earnings equal to one-~~
 8 ~~twelfth of the contribution and benefit base determined~~
 9 ~~for that year under section 230.~~

10 ~~“(B) When two or more persons were entitled (with-~~
 11 ~~out the application of section 202 (j) (1) and section 223~~
 12 ~~(b)) to monthly benefits under section 202 or 223 for~~
 13 ~~January 1971 or any prior month on the basis of the wages~~
 14 ~~and self employment income of such insured individual and~~
 15 ~~the provisions of this subsection as in effect for any such~~
 16 ~~month were applicable in determining the benefit amount~~
 17 ~~of any persons on the basis of such wages and self em-~~
 18 ~~ployment income, the total of benefits for any month after~~
 19 ~~January 1971 shall not be reduced to less than the largest~~
 20 ~~of—~~

21 ~~“(i) the amount determined under this subsection~~
 22 ~~without regard to this subparagraph,~~

23 ~~“(ii) the largest amount which has been deter-~~
 24 ~~mined for any month under this subsection for persons~~

1 ~~entitled to monthly benefits on the basis of such insured~~
2 ~~individual's wages and self-employment income, or~~
3 ~~“(iii) if any persons are entitled to benefits on the~~
4 ~~basis of such wages and self-employment income for~~
5 ~~the month before the effective month (after September~~
6 ~~1972) of a general benefit increase under this title (as~~
7 ~~defined in section 215 (i) (3)) or a benefit increase un-~~
8 ~~der the provisions of section 215 (i), an amount equal to~~
9 ~~the sum of amounts derived by multiplying the benefit~~
10 ~~amount determined under this title (excluding any part~~
11 ~~thereof determined under section 202 (w)) for the~~
12 ~~month before such effective month (including this sub-~~
13 ~~section, but without the application of section 222 (b),~~
14 ~~section 202 (q), and subsections (b), (c), and (d) of~~
15 ~~this section), for each such person for such month, by a~~
16 ~~percentage equal to the percentage of the increase pro-~~
17 ~~vided under such benefit increase (with any such in-~~
18 ~~creased amount which is not a multiple of \$0.10 being~~
19 ~~rounded to the next higher multiple of \$0.10);~~
20 ~~but in any such case (I) subparagraph (A) of this para-~~
21 ~~graph shall not be applied to such total of benefits after the~~
22 ~~application of clause (ii) or (iii), and (II) if section 202 (k)~~
23 ~~(2) (A) was applicable in the case of any such benefits~~
24 ~~for a month, and ceases to apply for a month after such~~

1 ~~month, the provisions of clause (ii) or (iii) shall be applied,~~
2 ~~for and after the month in which section 202(k) (2) (A)~~
3 ~~ceases to apply, as though subparagraph (A) of this para-~~
4 ~~graph had not been applicable to such total of benefits for~~
5 ~~the last month for which clause (ii) or (iii) was applicable.~~

6 ~~“(C) When any of such individuals is entitled to~~
7 ~~monthly benefits as a divorced spouse under section 202~~
8 ~~(b) or (c) or as a surviving divorced spouse under section~~
9 ~~202 (e) or (f) for any month, the benefit to which he or she~~
10 ~~is entitled on the basis of the wages and self-employment~~
11 ~~income of such insured individual for such month shall be~~
12 ~~determined without regard to this subsection, and the bene-~~
13 ~~fits of all other individuals who are entitled for such month~~
14 ~~to monthly benefits under section 202 on the wages and~~
15 ~~self-employment income of such insured individual shall be~~
16 ~~determined as if no such divorced spouse or surviving di-~~
17 ~~vorced spouse were entitled to benefits for such month.~~

18 ~~“(4) In any case in which benefits are reduced pursu-~~
19 ~~ant to the preceding provisions of this subsection, the reduc-~~
20 ~~tion shall be made after any deductions under this section~~
21 ~~and after any deductions under section 222 (b). Whenever~~
22 ~~a reduction is made under this subsection in the total of~~
23 ~~monthly benefits to which individuals are entitled for any~~
24 ~~month on the basis of the wages and self-employment in-~~
25 ~~come of an insured individual, each such benefit other than~~

1 ~~the old age or disability insurance benefit shall be propor-~~
2 ~~tionately decreased.~~

3 ~~“(5) Notwithstanding any other provision of law,~~
4 ~~when—~~

5 ~~“(A) two or more persons are entitled to monthly~~
6 ~~benefits for a particular month on the basis of the wages~~
7 ~~and self-employment income of an insured individual~~
8 ~~and (for such particular month) the provisions of this~~
9 ~~subsection are applicable to such monthly benefits, and~~

10 ~~“(B) such individual’s primary insurance amount~~
11 ~~is increased for the following month under any provision~~
12 ~~of this title,~~

13 ~~then the total of monthly benefits for all persons on the basis~~
14 ~~of such wages and self-employment income for such particular~~
15 ~~month, as determined under the provisions of this subsection,~~
16 ~~shall for purposes of determining the total monthly benefits~~
17 ~~for all persons on the basis of such wages and self-employ-~~
18 ~~ment income for months subsequent to such particular month~~
19 ~~be considered to have been increased by the smallest amount~~
20 ~~that would have been required in order to assure that the~~
21 ~~total of monthly benefits payable on the basis of such wages~~
22 ~~and self-employment income for any such subsequent month~~
23 ~~will not be less (after the application of the other pro-~~
24 ~~visions of this subsection and section 202 (q)) than the total~~
25 ~~of monthly benefits (after the application of the other pro-~~

1 ~~visions of this subsection and section 202 (q)) payable on~~
2 ~~the basis of such wages and self-employment income for such~~
3 ~~particular month.~~

4 ~~“(6) In the case of any individual who is entitled for~~
5 ~~any month to benefits based upon the primary insurance~~
6 ~~amounts of two or more insured individuals, one or more of~~
7 ~~which primary insurance amounts were determined under~~
8 ~~section 215 (a) or 215 (d) as in effect (without regard to~~
9 ~~the table contained therein) prior to January 1979 and one~~
10 ~~or more of which primary insurance amounts were deter-~~
11 ~~mined under section 215 (a) (1) or (4), or section 215 (d),~~
12 ~~as in effect after December 1978, the total benefits payable~~
13 ~~to that individual and all other individuals entitled to benefits~~
14 ~~for that month based upon those primary insurance amounts~~
15 ~~shall be reduced to an amount equal to the product of 1.75~~
16 ~~and the primary insurance amount that would be computed~~
17 ~~under section 215 (a) (1) for that month with respect to~~
18 ~~average indexed monthly earnings equal to one twelfth of~~
19 ~~the contribution and benefits base determined under section~~
20 ~~230 for the year in which that month occurs.~~

21 ~~“(7) Subject to paragraph (6), this subsection as in~~
22 ~~effect in December 1978 shall remain in effect with respect~~
23 ~~to a primary insurance amount computed under section~~
24 ~~215 (a) or (d), as in effect (without regard to the table~~
25 ~~contained therein) in December 1978, except that a primary~~

1 ~~insurance amount so computed with respect to an individual~~
 2 ~~who first becomes eligible for an old-age or disability insur-~~
 3 ~~ance benefit, or dies, after December 1978, shall instead be~~
 4 ~~governed by this section as in effect after December 1978."~~

5 ~~INCREASE IN OLD AGE BENEFIT AMOUNTS FOR~~
 6 ~~DELAYED RETIREMENT~~

7 ~~SEC. 203. Section 202 (w) (1) of the Social Security~~
 8 ~~Act is amended—~~

9 ~~(1) by striking out "If the first month" and all~~
 10 ~~that follows down through "to such individual" in the~~
 11 ~~matter preceding subparagraph (A) and inserting in~~
 12 ~~lieu thereof "The amount of an old-age insurance benefit~~
 13 ~~(other than a benefit based on a primary insurance~~
 14 ~~amount determined under section 215 (a) (3)) which is~~
 15 ~~payable without regard to this subsection to an individ-~~
 16 ~~ual"; and~~

17 ~~(2) by inserting after "such amount," in subpara-~~
 18 ~~graph (A) the following: "or, in the case of an individ-~~
 19 ~~ual who first becomes eligible for an old-age insurance~~
 20 ~~benefit after December 1978, one-quarter of 1 percent~~
 21 ~~of such amount,".~~

22 ~~CONFORMING AMENDMENTS~~

23 ~~SEC. 204. (a) Section 202 (m) (1) of the Social Se-~~
 24 ~~curity Act is amended to read as follows:~~

25 ~~"(1) In any case in which an individual is entitled to~~

~~1 a monthly benefit under this section on the basis of a pri-~~
~~2 mary insurance amount computed under section 215 (a) or~~
~~3 (d), as in effect after December 1978, on the basis of the~~
~~4 wages and self-employment income of a deceased individual~~
~~5 for any month and no other person is (without the applica-~~
~~6 tion of subsection (j) (1)) entitled to a monthly benefit~~
~~7 under this section for that month on the basis of such wages~~
~~8 and self-employment income, the individual's benefit amount~~
~~9 for that month, prior to reduction under subsection (k) (3),~~
~~10 shall not be less than that provided by subparagraph (C)~~
~~11 (i) (I) of section 215 (a) (1) and increased under section~~
~~12 215 (i) for months after May of the year in which the insured~~
~~13 individual died as though such benefit were a primary insur-~~
~~14 ance amount."~~

~~15 (b) Section 202 (w) of such Act (as amended by sec-~~
~~16 tion 203 of this Act) is further amended—~~

~~17 (1) by inserting after "section 215 (a) (3)" in~~
~~18 paragraph (1) (in the matter preceding subparagraph~~
~~19 (A)) the following: "as in effect in December 1978 or~~
~~20 section 215 (a) (1) (C) (i) (II) as in effect thereafter";~~

~~21 (2) by inserting "as in effect in December 1978, or~~
~~22 section 215 (a) (1) (C) (i) (II) as in effect thereafter,"~~
~~23 after "paragraph (3) of section 215 (a)" in paragraph~~
~~24 (5); and~~

~~25 (3) by inserting "(whether before, in, or after~~

1 ~~December 1978)~~” after ~~“determined under section 215~~
 2 ~~(a)” in paragraph (5).~~

3 ~~(e) Section 217 (b) (1) of such Act is amended by~~
 4 ~~inserting “as in effect in December 1978” after “section 215~~
 5 ~~(e)” each place it appears, and after “section 215 (d)”.~~

6 ~~(d) Section 224 (a) of such Act is amended by insert-~~
 7 ~~ing “(determined under section 215 (b) as in effect prior to~~
 8 ~~January 1979)” after “(A) the average monthly wage”~~
 9 ~~in the matter following paragraph (8).~~

10 ~~(e) Section 1839 (c) (3) (B) of such Act is amended~~
 11 ~~to read as follows:~~

12 ~~“(B) the monthly premium rate most recently~~
 13 ~~promulgated by the Secretary under this paragraph,~~
 14 ~~increased by a percentage determined as follows: The~~
 15 ~~Secretary shall ascertain the primary insurance amount~~
 16 ~~computed under section 215 (a) (1), based upon aver-~~
 17 ~~age indexed monthly earnings of \$900, that applied to~~
 18 ~~individuals who became eligible for and entitled to old-~~
 19 ~~age insurance benefits on May 1 of the year of the~~
 20 ~~promulgation. He shall increase the monthly premium~~
 21 ~~rate by the same percentage by which that primary~~
 22 ~~insurance amount is increased when, by reason of the~~
 23 ~~law in effect at the time the promulgation is made, it~~
 24 ~~is so computed to apply to those individuals on the~~
 25 ~~following May 1.”.~~

~~EFFECTIVE DATE~~

1

2 ~~SEC. 205. The amendments made by the provisions of~~
3 ~~this title other than section 201 (d) shall be effective with~~
4 ~~respect to monthly benefits and lump-sum death payments~~
5 ~~under title II of the Social Security Act payable for months~~
6 ~~after December 1978. The amendments made by section 201~~
7 ~~(d) shall be effective with respect to monthly benefits of an~~
8 ~~individual who becomes eligible for an old-age or disability~~
9 ~~insurance benefit, or dies, after December 1977.~~

10 ~~TITLE III—COVERAGE UNDER THE OLD-AGE,~~
11 ~~SURVIVORS, AND DISABILITY INSURANCE~~
12 ~~PROGRAM~~

13 ~~STUDY CONCERNING MANDATORY COVERAGE OF FEDERAL~~
14 ~~EMPLOYEES~~

15 ~~SEC. 301. (a) As soon as possible after the date of the~~
16 ~~enactment of this Act, the Chairman of the Civil Service~~
17 ~~Commission, the Secretaries of the Treasury and Health, Ed-~~
18 ~~ucation, and Welfare, and the Director of the Office of Man-~~
19 ~~agement and Budget shall jointly undertake and carry out~~
20 ~~a detailed study with respect to coverage of Federal em-~~
21 ~~ployees within the old-age, survivors, and disability insurance~~
22 ~~system.~~

23 ~~(b) The study to be undertaken under subsection (a)~~
24 ~~shall include—~~

25 ~~(1) a review of the methods by which full coverage~~

1 ~~of Federal employees within the old-age, survivors, and~~
2 ~~disability insurance system could be attained;~~

3 ~~(2) an analysis of the adjustments to such system~~
4 ~~(as well as to the civil service retirement and disability~~
5 ~~system and other Federal employee retirement systems~~
6 ~~involved, including the foreign service, judiciary, Central~~
7 ~~Intelligence Agency, and District of Columbia retire-~~
8 ~~ment systems) which are necessary under each such~~
9 ~~method to provide such coverage, particularly—~~

10 ~~(A) adjustments in age, service, and other~~
11 ~~eligibility requirements; and—~~

12 ~~(B) adjustments in the nature and level of~~
13 ~~disability, death, and survivor benefits (taking into~~
14 ~~account any related factors such as the taxability of~~
15 ~~such benefits);—~~

16 ~~(3) a comparison of the financial aspects of each~~
17 ~~such method, particularly—~~

18 ~~(A) the adjustments required by each such~~
19 ~~method in the contributions by Federal employees,~~
20 ~~the Government (whether by specific contribution~~
21 ~~or by appropriation), and others involved;—~~

22 ~~(B) the adjustments required by each such~~
23 ~~method in the manner in which benefits are financed~~
24 ~~under the retirement systems involved; and—~~

1 ~~(C) the effects of each such method on the~~
2 ~~solvency of the retirement systems involved;~~
3 ~~(4) the effects of each such method of coverage on--~~
4 ~~(A) recruitment and retention of Federal em-~~
5 ~~ployees;~~
6 ~~(B) other employee benefits (such as health~~
7 ~~benefits coverage provided for civil service annui-~~
8 ~~tants); and~~
9 ~~(C) Federal, State, and local income tax sys-~~
10 ~~tems;~~
11 ~~(5) a review of the methods by which partial cov-~~
12 ~~erage of Federal employees within the old age, sur-~~
13 ~~vivors, and disability insurance system could be attained,~~
14 ~~together with consideration of the factors described in~~
15 ~~paragraphs (2), (3), and (4) as they would relate to~~
16 ~~such partial coverage; and~~
17 ~~(6) alternatives to providing coverage of Federal~~
18 ~~employees within the old age, survivors, and disability~~
19 ~~insurance system which would improve the solvency of~~
20 ~~the old age, survivors, and disability insurance system.~~
21 ~~In connection with such study, interested parties, including~~
22 ~~Federal employee organizations, associations of retired Fed-~~
23 ~~eral employees, and heads of agencies administering Federal~~
24 ~~employee retirement systems, shall be allowed to submit~~
25 ~~views, arguments, and data.~~

~~1 (e) Upon the completion of the study under sub-~~
~~2 section (a) and in any event no later than 2 years after~~
~~3 the date of the enactment of this Act, the Chairman of~~
~~4 the Civil Service Commission, the Secretaries of the Treas-~~
~~5 ury and Health, Education, and Welfare, and the Director~~
~~6 of the Office of Management and Budget shall submit~~
~~7 to the President and to the appropriate committees of each~~
~~8 House of the Congress a joint report on the results of such~~
~~9 study together with their recommendations. Any such rec-~~
~~10 ommendation which includes adjustments of existing stat-~~
~~11 utes shall be accompanied with draft legislation accom-~~
~~12 plishing such adjustments.~~

~~13 (d) With respect to Federal employees under the Fed-~~
~~14 eral employee retirement systems, the study and the report~~
~~15 under this section shall include at least one method of cov-~~
~~16 erage of such employees within the old-age, survivors, and~~
~~17 disability insurance system which provides—~~

~~18 (1) that the benefits available to such Federal~~
~~19 employees would not be less favorable than the benefits~~
~~20 which are then currently available to such employees~~
~~21 under the Federal employee retirement systems; and—~~

~~22 (2) that the contributions required of such Federal~~
~~23 employees would not be greater than the contributions~~
~~24 which are then currently required of such employees~~
~~25 under the Federal employee retirement systems.~~

1 ~~(e) For purposes of this section, the term "Federal~~
 2 ~~employee" means—~~

3 ~~(1) an employee, as defined in section 2105 of~~
 4 ~~title 5, United States Code;~~

5 ~~(2) an officer or employee of the United States~~
 6 ~~Postal Service or of the Postal Rate Commission; and~~

7 ~~(3) any other individual in the employ of the~~
 8 ~~United States or any instrumentality of the United~~
 9 ~~States.~~

10 ~~STUDY CONCERNING MANDATORY COVERAGE OF STATE AND~~
 11 ~~LOCAL EMPLOYEES~~

12 ~~SEC. 302. (a) As soon as possible after the date of the~~
 13 ~~enactment of this Act, the Chairman of the Civil Service~~
 14 ~~Commission, the Secretaries of the Treasury and Health,~~
 15 ~~Education, and Welfare, and the Director of the Office of~~
 16 ~~Management and Budget shall jointly undertake and carry~~
 17 ~~out a detailed study with respect to coverage of all State~~
 18 ~~and local government employees within the old-age, sur-~~
 19 ~~vivors, and disability insurance system.~~

20 ~~(b) The study to be undertaken under subsection (a)~~
 21 ~~shall include—~~

22 ~~(1) a survey of the several States and their political~~
 23 ~~subdivisions with the objective of determining—~~

24 ~~(A) the types and coverage patterns of the~~

1 ~~various State and local retirement and disability~~
2 ~~systems now in existence;~~

3 ~~(B) the categories of employees within each~~
4 ~~such State and locality not now covered under the~~
5 ~~old age, survivors, and disability insurance system;~~

6 ~~(C) the methods available in each such State~~
7 ~~and locality for financing full participation in the~~
8 ~~old age, survivors, and disability insurance system;~~

9 ~~(D) the financial ability of the various States~~
10 ~~and localities to participate in such system, and the~~
11 ~~ability of the Federal Government to require and~~
12 ~~administer such participation, and~~

13 ~~(E) any special conditions or situations existing~~
14 ~~in particular States and localities which might cause~~
15 ~~problems in connection with the mandatory coverage~~
16 ~~of all their employees under the old age, survivors,~~
17 ~~and disability insurance system;~~

18 ~~(2) a review of the methods by which full coverage~~
19 ~~of all State and local employees within the old age, sur-~~
20 ~~vivors, and disability insurance system might be attained;~~

21 ~~(3) an analysis of the kinds of adjustments to exist-~~
22 ~~ing State and local retirement and disability systems~~
23 ~~which would be necessary under each such method to~~
24 ~~make effective provision for such coverage;~~

1 ~~(4) a comparison of the financial aspects of each~~
2 ~~such method, particularly with reference to the ability~~
3 ~~of the various States and localities to bear the costs of~~
4 ~~participation in the Federal system on a mandatory full-~~
5 ~~coverage basis;~~

6 ~~(5) the effects of each such method of coverage on~~
7 ~~existing coverage of State and local employees under~~
8 ~~their own retirement and disability systems;~~

9 ~~(6) a survey of the legal and constitutional barriers~~
10 ~~to full participation in the Federal system, or to making~~
11 ~~the necessary adjustments to their own retirement and~~
12 ~~disability systems, which may exist in the various States~~
13 ~~and localities; and~~

14 ~~(7) an analysis of the identifiable problems which~~
15 ~~may exist in particular States and localities in connection~~
16 ~~with the mandatory coverage of their employees under~~
17 ~~the old-age, survivors, and disability insurance system,~~
18 ~~with emphasis upon the special problems involved in~~
19 ~~returning employees to coverage under such system in~~
20 ~~States and localities whose employees were formerly cov-~~
21 ~~ered pursuant to State agreement but which have here-~~
22 ~~tofore elected to terminate such coverage.~~

23 ~~In connection with such study, interested parties, including~~
24 ~~State and local employee organizations, associations of re-~~
25 ~~tired State and local employees, and heads of agencies ad-~~

1 ~~ministering State and local employee retirement systems,~~
 2 ~~shall be allowed to submit views, arguments, and data.~~

3 ~~(c) Upon the completion of the study under subsection~~
 4 ~~(a) and in any event no later than 2 years after the date~~
 5 ~~of the enactment of this Act, the Chairman of the Civil Serv-~~
 6 ~~ice Commission, the Secretaries of the Treasury and Health,~~
 7 ~~Education, and Welfare, and the Director of the Office of~~
 8 ~~Management and Budget shall submit to the President and~~
 9 ~~to the appropriate committees of each House of the Congress~~
 10 ~~a joint report on the results of such study together with their~~
 11 ~~recommendations. Any such recommendation which includes~~
 12 ~~adjustments of existing Federal statutes shall be accompa-~~
 13 ~~nied with draft legislation accomplishing such adjustments.~~

14 ~~EXCLUSION FROM COVERAGE OF CERTAIN LIMITED~~
 15 ~~PARTNERSHIP INCOME~~

16 ~~SEC. 303. (a) Section 211 (a) of the Social Security~~
 17 ~~Act is amended—~~

18 ~~(1) by striking out “and” at the end of paragraph~~
 19 ~~(9);~~

20 ~~(2) by striking out the period at the end of para-~~
 21 ~~graph (10) and inserting in lieu thereof “; and”; and~~

22 ~~(3) by inserting after paragraph (10) the following~~
 23 ~~new paragraph:—~~

24 ~~“(11) There shall be excluded the distributive~~
 25 ~~share of any item of income or loss of a limited partner,~~

1 ~~as such, other than guaranteed payments described in~~
 2 ~~section 707 (c) of the Internal Revenue Code of 1954~~
 3 ~~to that partner for services actually rendered to or~~
 4 ~~on behalf of the partnership to the extent that those~~
 5 ~~payments are established to be in the nature of remuner-~~
 6 ~~ation for those services."~~

7 ~~(b) Section 1402 (a) of the Internal Revenue Code of~~
 8 ~~1954 (relating to definition of net earnings from self em-~~
 9 ~~ployment) is amended—~~

10 ~~(1) by striking out "and" at the end of paragraph~~
 11 ~~(10);~~

12 ~~(2) by striking out the period at the end of para-~~
 13 ~~graph (11) and inserting in lieu thereof "; and"; and~~

14 ~~(3) by inserting after paragraph (11) the follow-~~
 15 ~~ing new paragraph:~~

16 ~~"(12) there shall be excluded the distributive share~~
 17 ~~of any item of income or loss of a limited partner, as~~
 18 ~~such, other than guaranteed payments described in~~
 19 ~~section 707 (c) to that partner for services, actually~~
 20 ~~rendered to or on behalf of the partnership to the extent~~
 21 ~~that those payments are established to be in the na-~~
 22 ~~ture of remuneration for those services."~~

23 ~~(c) The amendments made by this section shall apply~~
 24 ~~with respect to taxable years beginning after December 31,~~
 25 ~~1977.~~

1 ~~TAX ON EMPLOYERS OF INDIVIDUALS WHO RECEIVE~~
2 ~~INCOME FROM TIPS~~

3 ~~SEC. 304. (a) Section 3121 of the Internal Revenue~~
4 ~~Code of 1954 (definitions under Federal Insurance Con-~~
5 ~~tributions Act) is amended by adding at the end thereof the~~
6 ~~following new subsection:-~~

7 ~~“(s) SPECIAL RULE FOR DETERMINING WAGES SUB-~~
8 ~~JECT TO EMPLOYER TAX IN CASE OF CERTAIN EM-~~
9 ~~PLOYERS WHOSE EMPLOYEES RECEIVE INCOME FROM~~
10 ~~TIPS. If the wages paid by an employer with respect to~~
11 ~~the employment during any month of an individual who~~
12 ~~(for services performed in connection with such employ-~~
13 ~~ment) receives tips which constitute wages, and to which~~
14 ~~section 3102 (a) applies, are less than the total amount~~
15 ~~which would be payable (with respect to such employment)~~
16 ~~at the minimum wage rate applicable to such individual un-~~
17 ~~der section 6 (a) (1) of the Fair Labor Standards Act of~~
18 ~~1938 (determined without regard to section 3 (m) of such~~
19 ~~Act), the wages so paid shall be deemed for purposes of~~
20 ~~section 3111 to be equal to such total amount.”.~~

21 ~~(b) Section 3111 of such Code is amended by inserting~~
22 ~~“and (s)” after “3121 (a)” in subsections (a) and (b).~~

23 ~~(c) The amendments made by this section shall apply~~
24 ~~with respect to wages paid with respect to employment per-~~
25 ~~formed in months after December 1977.~~

1 ~~REVOCATION OF EXEMPTION FROM COVERAGE BY~~

2 ~~CLERGYMEN~~

3 ~~SEC. 305. (a) Notwithstanding section 1402 (e) (3)~~
4 ~~of the Internal Revenue Code of 1954, any exemption which~~
5 ~~has been received under section 1402 (e) (1) of such Code~~
6 ~~by a duly ordained, commissioned, or licensed minister of a~~
7 ~~church or a Christian Science practitioner, and which is ef-~~
8 ~~fective for the taxable year in which this Act is enacted, may~~
9 ~~be revoked by filing an application therefor (in such form~~
10 ~~and manner, and with such official, as may be prescribed in~~
11 ~~regulations made under chapter 2 of such Code), if such~~
12 ~~application is filed—~~

13 ~~(1) before the applicant becomes entitled to benefits~~
14 ~~under section 202 (a) or 223 of the Social Security Act~~
15 ~~(without regard to section 202 (j) (1) or 223 (b) of~~
16 ~~such Act), and~~

17 ~~(2) no later than the due date of the Federal in-~~
18 ~~come tax return (including any extension thereof) for~~
19 ~~the applicant's first taxable year beginning after the date~~
20 ~~of the enactment of this Act.~~

21 ~~Any such revocation shall be effective (for purposes of chap-~~
22 ~~ter 2 of the Internal Revenue Code of 1954 and title II of~~
23 ~~the Social Security Act), as specified in the application,~~
24 ~~either with respect to the applicant's first taxable year end-~~
25 ~~ing on or after the date of the enactment of this Act or with~~

1 ~~respect to the applicant's first taxable year beginning after~~
2 ~~such date, and for all succeeding taxable years; and the ap-~~
3 ~~plicant for any such revocation may not thereafter again file~~
4 ~~application for an exemption under such section 1402 (e)~~
5 ~~(1). If the application is filed on or after the due date of~~
6 ~~the applicant's first taxable year ending on or after the date~~
7 ~~of the enactment of this Act and is effective with respect to~~
8 ~~that taxable year, it shall include or be accompanied by pay-~~
9 ~~ment in full of an amount equal to the total of the taxes~~
10 ~~that would have been imposed by section 1401 of the Inter-~~
11 ~~nal Revenue Code of 1954 with respect to all of the appli-~~
12 ~~cant's income derived in that taxable year which would have~~
13 ~~constituted net earnings from self-employment for purposes~~
14 ~~of chapter 2 of such Code (notwithstanding section 1402 (e)~~
15 ~~(4) or (e) (5) of such Code) except for the exemption~~
16 ~~under section 1402 (e) (1) of such Code.~~

17 ~~(b) Subsection (a) shall apply with respect to service~~
18 ~~performed (to the extent specified in such subsection) in tax-~~
19 ~~able years ending on or after the date of the enactment of~~
20 ~~this Act, and with respect to monthly insurance benefits pay-~~
21 ~~able under title II of the Social Security Act on the basis~~
22 ~~of the wages and self-employment income of any individual~~
23 ~~for months in or after the calendar year in which such~~
24 ~~individual's application for revocation (as described in such~~
25 ~~subsection) is filed (and lump-sum death payments payable~~

1 ~~under such title on the basis of such wages and self-employ-~~
 2 ~~ment income in the case of deaths occurring in or after such~~
 3 ~~calendar year).~~

4 ~~INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL~~
 5 ~~SECURITY BENEFITS~~

6 ~~SEC. 306. (a) Title II of the Social Security Act is~~
 7 ~~amended by adding at the end thereof the following new~~
 8 ~~section:-~~

9 ~~"INTERNATIONAL AGREEMENTS~~

10 ~~"Purpose of Agreement~~

11 ~~"SEC. 223. (a) The President is authorized to enter into~~
 12 ~~agreements establishing totalization arrangements between~~
 13 ~~the social security system established by this title and the social~~
 14 ~~security system of any foreign country, for the purposes of~~
 15 ~~establishing entitlement to and the amount of old age, sur-~~
 16 ~~vivors, disability, or derivative benefits based on a combina-~~
 17 ~~tion of an individual's periods of coverage under the social~~
 18 ~~security system established by this title and the social security~~
 19 ~~system of such foreign country.~~

20 ~~"Definitions~~

21 ~~"(b) For the purposes of this section-~~

22 ~~"(1) the term 'social security system' means, with~~
 23 ~~respect to a foreign country, a social insurance or pen-~~
 24 ~~sion system which is of general application in the country~~
 25 ~~and under which periodic benefits, or the actuarial equiv-~~

1 ~~alent thereof, are paid on account of old age, death, or~~
 2 ~~disability; and~~

3 ~~“(2) the term ‘period of coverage’ means a period~~
 4 ~~of payment of contributions or a period of earnings~~
 5 ~~based on wages for employment or on self-employment~~
 6 ~~income, or any similar period recognized as equivalent~~
 7 ~~thereto under this title or under the social security system~~
 8 ~~of a country which is a party to an agreement entered~~
 9 ~~into under this section.~~

10 ~~“Crediting Periods of Coverage; Conditions of Payment~~
 11 ~~of Benefits~~

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

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

24 ~~“(B) (i) that employment or self employment, or~~
 25 ~~any service which is recognized as equivalent to employ-~~

1 ~~ment or self-employment under this title or the social~~
2 ~~security system of a foreign country which is a party to~~
3 ~~such agreement, shall, on or after the effective date of~~
4 ~~such agreement, result in a period of coverage under the~~
5 ~~system established under this title or under the system~~
6 ~~established under the laws of such foreign country, but~~
7 ~~not under both, and (ii) the methods and conditions for~~
8 ~~determining under which system employment, self-em-~~
9 ~~ployment, or other service shall result in a period of~~
10 ~~coverage; and~~

11 ~~“(C) that where an individual’s periods of coverage~~
12 ~~are combined, the benefit amount payable under this title~~
13 ~~shall be based on the proportion of such individual’s~~
14 ~~periods of coverage which was completed under this title.~~

15 ~~“(2) Any such agreement may provide that—~~

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

21 ~~“(B) the benefit paid by the United States to an~~
22 ~~individual who legally resides in the United States shall~~
23 ~~be increased to an amount which, when added to the~~
24 ~~benefit paid by such foreign country, will be equal to the~~
25 ~~benefit amount which would be payable to an entitled~~

1 ~~individual based on the first figure in (or deemed to~~
 2 ~~be in) column IV of the table in section 215 (a) in the~~
 3 ~~case of an individual becoming eligible for such benefit~~
 4 ~~before January 1, 1979, or based on a primary insur-~~
 5 ~~ance amount determined under section 215 (a) (1) (C)~~
 6 ~~(i) (I) in the case of an individual becoming eligible~~
 7 ~~for such benefit on or after that date.~~

8 ~~“(3) Section 226 shall not apply in the case of any~~
 9 ~~individual to whom it would not be applicable but for this~~
 10 ~~section or any agreement or regulation under this section.~~

11 ~~“(4) Any such agreement may contain such other pro-~~
 12 ~~visions, not inconsistent with this section, as the President~~
 13 ~~deems appropriate.~~

14 ~~“Regulations~~

15 ~~“(d) The Secretary of Health, Education, and Welfare~~
 16 ~~shall make rules and regulations and establish procedures~~
 17 ~~which are reasonable and necessary to implement and admin-~~
 18 ~~ister any agreement which has been entered into in accord-~~
 19 ~~ance with this section.~~

20 ~~“Reports to Congress; Effective Date of Agreements~~

21 ~~“(e) (1) Any agreement to establish a totalization~~
 22 ~~arrangement entered into pursuant to this section shall be~~
 23 ~~transmitted by the President to the Congress.~~

24 ~~“(2) Such an agreement shall become effective on any~~
 25 ~~date, provided in the agreement, which occurs after the~~

1 ~~expiration of 90 days on each of which at least one House of~~
2 ~~Congress is in session following the date on which the agree-~~
3 ~~ment is transmitted in accordance with paragraph (1).”.~~

4 ~~(b) (1) Section 1401 of the Internal Revenue Code of~~
5 ~~1954 is amended by adding at the end thereof the following~~
6 ~~new subsection:-~~

7 ~~“(c) RELIEF FROM TAXES IN CASES COVERED BY~~
8 ~~CERTAIN INTERNATIONAL AGREEMENTS. During any pe-~~
9 ~~riod in which there is in effect an agreement entered into~~
10 ~~pursuant to section 233 of the Social Security Act with any~~
11 ~~foreign country, the self-employment income of an individ-~~
12 ~~ual shall be exempt from the taxes imposed by this section to~~
13 ~~the extent that such self-employment income is subject under~~
14 ~~such agreement to taxes or contributions for similar purposes~~
15 ~~under the social security system of such foreign country.”.~~

16 ~~(2) Sections 3101 and 3111 of such Code are each~~
17 ~~amended by adding at the end thereof the following new~~
18 ~~subsection:-~~

19 ~~“(c) RELIEF FROM TAXES IN CASES COVERED BY~~
20 ~~CERTAIN INTERNATIONAL AGREEMENTS. During any~~
21 ~~period in which there is in effect an agreement entered into~~
22 ~~pursuant to section 233 of the Social Security Act with any~~
23 ~~foreign country, wages received by or paid to an individual~~
24 ~~shall be exempt from the taxes imposed by this section to the~~
25 ~~extent that such wages are subject under such agreement to~~

1 ~~taxes or contributions for similar purposes under the social~~
 2 ~~security system of such foreign country.”.~~

3 ~~(3) Section 6051(a) of such Code is amended by add-~~
 4 ~~ing at the end thereof the following new sentence: “The~~
 5 ~~amounts required to be shown by paragraph (5) shall not~~
 6 ~~include wages which are exempted pursuant to sections 3101~~
 7 ~~(c) and 3111(c) from the taxes imposed by sections 3101~~
 8 ~~and 3111.”.~~

9 ~~(4) Notwithstanding any other provision of law, taxes~~
 10 ~~paid by any individual to any foreign country with respect~~
 11 ~~to any period of employment or self-employment which is~~
 12 ~~covered under the social security system of such foreign coun-~~
 13 ~~try in accordance with the terms of an agreement entered~~
 14 ~~into pursuant to section 233 of the Social Security Act shall~~
 15 ~~not, under the income tax laws of the United States, be~~
 16 ~~deductible by, or creditable against the income tax of, any~~
 17 ~~such individual.~~

18 ~~VALIDATION OF PAST SOCIAL SECURITY COVERAGE FOR~~
 19 ~~CERTAIN ILLINOIS POLICEMEN AND FIREMEN~~

20 ~~SEC. 307. (a) Notwithstanding the provisions of sub-~~
 21 ~~section (d) (5) (A) of section 218 of the Social Security~~
 22 ~~Act and the references thereto in subsections (d) (1) and~~
 23 ~~(d) (2) of such section 218 (but subject to subsection (b)~~
 24 ~~of this section), the agreement with the State of Illinois here-~~
 25 ~~before entered into pursuant to such section 218 shall be~~

~~1 deemed to apply to all services which were performed prior~~
~~2 to December 31, 1977, by any individual employed by such~~
~~3 State or any political subdivision thereof in a policeman's or~~
~~4 fireman's position covered by the Illinois Municipal Retire-~~
~~5 ment Fund, and with respect to which such State has paid to~~
~~6 the Secretary of the Treasury the sums prescribed pursuant~~
~~7 to subsection (e) (1) (A) of such section 218 at the time~~
~~8 or times established pursuant to such subsection (but only~~
~~9 if there has been no refund of the sums so paid or, if a~~
~~10 refund of part or all of such sums has been obtained, the~~
~~11 State of Illinois repays to the Secretary of the Treasury the~~
~~12 amount of such refund within ninety days after the date of~~
~~13 the enactment of this Act).~~

~~14 (b) Subsection (a) shall not apply with respect to~~
~~15 services performed by individuals employed by any political~~
~~16 subdivision which indicates, in such manner and within such~~
~~17 period as the Secretary shall prescribe, that it does not wish~~
~~18 such subsection to apply with respect to those services.~~

~~19 COVERAGE FOR POLICEMEN AND FIREMEN IN~~
~~20 MISSISSIPPI~~

~~21 SEC. 308. Section 218 (p) (1) of the Social Security~~
~~22 Act is amended by inserting "Mississippi," after "Mary-~~
~~23 land,".~~

1 ~~COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR~~
 2 ~~STATE AND LOCAL EMPLOYEES IN NEW JERSEY~~

3 ~~SEC. 309. Section 218 (d) (6) (C) of the Social Secu-~~
 4 ~~ity Act is amended by inserting "New Jersey," after~~
 5 ~~"Nevada,".~~

6 ~~COVERAGE OF SERVICE UNDER WISCONSIN RETIREMENT~~
 7 ~~SYSTEM~~

8 ~~SEC. 310. Section 218 (m) (1) of the Social Security~~
 9 ~~Act is amended by inserting after "Wisconsin retirement~~
 10 ~~fund" the following: "or any successor system".~~

11 ~~TITLE IV ELIMINATION OF GENDER BASED~~
 12 ~~DISTINCTIONS UNDER THE OLD AGE, SUR-~~
 13 ~~VIVORS, AND DISABILITY INSURANCE~~
 14 ~~PROGRAM~~

15 ~~PART A EQUALIZATION OF TREATMENT OF MEN AND~~
 16 ~~WOMEN UNDER THE PROGRAM~~

17 ~~DIVORCED HUSBANDS~~

18 ~~SEC. 401. (a) (1) Section 202 (e) (1) of the Social~~
 19 ~~Security Act is amended, in the matter preceding subpara-~~
 20 ~~graph (A), by inserting "and every divorced husband (as~~
 21 ~~defined in section 216 (d))" before "of an individual" and~~
 22 ~~inserting "or such divorced husband" after "if such hus-~~
 23 ~~band".~~

1 ~~(2) Section 202 (c) (1) of such Act is further~~
 2 ~~amended—~~

3 ~~(A) by redesignating subparagraphs (C) and (D)~~
 4 ~~as subparagraphs (D) and (E), and by inserting after~~
 5 ~~subparagraph (B) the following new subparagraph:~~

6 ~~“(C) in the case of a divorced husband, is not~~
 7 ~~married,”;~~

8 ~~(B) by striking out “after August 1950” in the~~
 9 ~~matter following subparagraph (E) (as so redesign-~~
 10 ~~ated); and~~

11 ~~(C) by striking out “the month in which any of~~
 12 ~~the following occurs:” and all that follows and insert-~~
 13 ~~ing in lieu thereof the following:~~

14 ~~“the first month in which any of the following occurs:~~

15 ~~“(F) he dies,~~

16 ~~“(G) such individual dies,~~

17 ~~“(H) in the case of a husband, they are divorced~~
 18 ~~and either (i) he has not attained age 62, or (ii) he~~
 19 ~~has attained age 62 but has not been married to such~~
 20 ~~individual for a period of 20 years immediately before~~
 21 ~~the divorce became effective,~~

22 ~~“(I) in the case of a divorced husband, he marries~~
 23 ~~a person other than such individual,~~

24 ~~“(J) he becomes entitled to an old-age or dis-~~
 25 ~~ability insurance benefit based on a primary insurance~~

1 ~~amount which is equal to or exceeds one-half of the~~
 2 ~~primary insurance amount of such individual, or.~~

3 ~~“(K) such individual is not entitled to disability~~
 4 ~~insurance benefits and is not entitled to old-age insur-~~
 5 ~~ance benefits.”.~~

6 ~~(3) Section 202 (e) (3) of such Act is amended by~~
 7 ~~inserting “(or, in the case of a divorced husband, his former~~
 8 ~~wife)” before “for such month”.~~

9 ~~(4) Section 202 (e) of such Act is amended by adding~~
 10 ~~after paragraph (3) the following new paragraph:~~

11 ~~“(4) In the case of any divorced husband who~~
 12 ~~marries—~~

13 ~~“(A) an individual entitled to benefits under~~
 14 ~~subsection (b), (e), (g), or (h) of this section, or~~

15 ~~“(B) an individual who has attained the age~~
 16 ~~of 18 and is entitled to benefits under subsection~~
 17 ~~(d);~~

18 ~~such divorced husband's entitlement to benefits under~~
 19 ~~this subsection shall, notwithstanding the provisions of~~
 20 ~~paragraph (1) (but subject to subsection (s)), not~~
 21 ~~be terminated by reason of such marriage.”.~~

22 ~~(5) Section 202 (e) (2) of such Act is amended by~~
 23 ~~striking out “(C)” in the matter immediately preceding~~
 24 ~~subparagraph (A) and inserting in lieu thereof “(D)”.~~

25 ~~(6) Section 202 (b) (3) (A) of such Act is amended~~

1 ~~by striking out “(f)” and inserting in lieu thereof “(e),~~
 2 ~~(f),”.~~

3 ~~(7) Section 202(e) (1) (E) of such Act (as redesignated by paragraph (2) of this subsection) is amended by~~
 4 ~~striking out “his wife” and inserting in lieu thereof “such~~
 5 ~~individual”.~~

7 ~~(b) (1) Section 202 (f) (1) of such Act is amended,~~
 8 ~~in the matter preceding subparagraph (A), by inserting~~
 9 ~~“and every surviving divorced husband (as defined in section~~
 10 ~~216(d))” before “of an individual” and inserting “or such~~
 11 ~~surviving divorced husband” after “if such widower”.~~

12 ~~(2) Section 202 (f) (1) of such Act is further amended~~
 13 ~~by striking out “his deceased wife” in subparagraph (E)~~
 14 ~~and in the matter following subparagraph (G) and insert-~~
 15 ~~ing in lieu thereof “such deceased individual”.~~

16 ~~(3) Paragraphs (3), (4), (6), and (7) of section 202~~
 17 ~~(f) of such Act are each amended by inserting “or surviving~~
 18 ~~divorced husband” after “widower” wherever it appears.~~

19 ~~(4) Paragraph (3) of section 202 (f) of such Act is~~
 20 ~~further amended by striking out “his deceased wife” wher-~~
 21 ~~ever it appears and by inserting in lieu thereof “such de-~~
 22 ~~ceased individual”, and by striking out “wife” wherever it~~
 23 ~~appears and inserting in lieu thereof “individual”.~~

24 ~~(5) Section 202 (f) (4) of such Act is further amended~~
 25 ~~by striking out “remarries” and inserting in lieu thereof~~

1 ~~“marries”, and by inserting “or surviving divorced hus-~~
 2 ~~band’s” after “widower’s”.~~

3 ~~(6) Section 202(e) (3) (A) of such Act is amended by~~
 4 ~~striking out “(f)” and inserting in lieu thereof “(e), (f),”.~~

5 ~~(7) Section 202(g) (3) (A) of such Act is amended by~~
 6 ~~inserting “(e),” before “(f),”.~~

7 ~~(8) Section 202(h) (4) (A) of such Act is amended by~~
 8 ~~inserting “(e),” before “(e),”.~~

9 ~~(e) (1) Section 216(d) of such Act is amended by re-~~
 10 ~~designating paragraph (1) as paragraph (6), and by insert-~~
 11 ~~ing after paragraph (3) the following new paragraphs:~~

12 ~~“(4) The term “divorced husband” means a man di-~~
 13 ~~vorced from an individual, but only if he has been married~~
 14 ~~to such individual for a period of 20 years immediately~~
 15 ~~before the date the divorce became effective.~~

16 ~~“(5) The term ‘surviving divorced husband’ means a~~
 17 ~~man divorced from an individual who has died, but only if he~~
 18 ~~has been married to the individual for a period of 20 years~~
 19 ~~immediately before the divorce became effective.”.~~

20 ~~(2) The heading of section 216(d) of such Act is~~
 21 ~~amended to read as follows:~~

22 ~~“Divorced Spouses; Divorce”.~~

23 ~~(d) (1) Section 205(b) of such Act is amended by~~
 24 ~~inserting “divorced husband,” after “husband,” and “surviv-~~
 25 ~~ing divorced husband,” after “widower,”.~~

1 ~~(2) Section 205 (e) (1) (C) of such Act is amended~~
 2 ~~by inserting "surviving divorced husband," after "wife,"~~

3 ~~REMARriage OF SURVIVING SPOUSE BEFORE AGE 60~~

4 ~~SEC. 402. Section 202 (f) (1) (A) of the Social Security~~
 5 ~~Act is amended by striking out "has not remarried" and~~
 6 ~~inserting in lieu thereof "is not married".~~

7 ~~ILLEGITIMATE CHILDREN~~

8 ~~SEC. 403. (a) Section 216 (h) (3) of the Social Secu-~~
 9 ~~rity Act is amended by inserting "mother or" before "father"~~
 10 ~~wherever it appears.~~

11 ~~(b) Section 216 (h) (3) (A) (i) of such Act is amended~~
 12 ~~by striking out "daughter," at the end of clause (III) and~~
 13 ~~all that follows and inserting in lieu thereof "daughter; or".~~

14 ~~(c) Section 216 (h) (3) (A) (ii) of such Act is~~
 15 ~~amended by striking out everything after "time" and insert-~~
 16 ~~ing in lieu thereof "such applicant's application for benefits~~
 17 ~~was filed;".~~

18 ~~(d) Section 216 (h) (3) (B) (i) of such Act is amended~~
 19 ~~by striking out "daughter," at the end of clause (III) and~~
 20 ~~all that follows and inserting in lieu thereof "daughter; or".~~

21 ~~(e) Section 216 (h) (3) (B) (ii) of such Act is~~
 22 ~~amended by striking out "such period of disability began"~~
 23 ~~and inserting in lieu thereof "such applicant's application~~
 24 ~~for benefits was filed".~~

1 ~~TRANSITIONAL INSURED STATUS~~

2 ~~SEC. 404. (a) Section 227 (a) of the Social Security~~
 3 ~~Act is amended—~~

4 ~~(1) by striking out “wife” wherever it appears and~~
 5 ~~inserting in lieu thereof “spouse”;~~

6 ~~(2) by striking out “wife’s” wherever it appears~~
 7 ~~and inserting in lieu thereof “spouse’s”;~~

8 ~~(3) by striking out “she” wherever it appears and~~
 9 ~~inserting in lieu thereof “he or she”;~~

10 ~~(4) by striking out “his” wherever it appears and~~
 11 ~~inserting in lieu thereof “his or her”; and~~

12 ~~(5) by inserting “or section 202 (e)” after “see-~~
 13 ~~tion 202 (b)” wherever it appears.~~

14 ~~(b) Section 227 (b) and section 227 (e) of such Act~~
 15 ~~are amended—~~

16 ~~(1) by striking out “widow” wherever it appears~~
 17 ~~and inserting in lieu thereof “surviving spouse”;~~

18 ~~(2) by striking out “widow’s” wherever it appears~~
 19 ~~and inserting in lieu thereof “surviving spouse’s”;~~

20 ~~(3) by striking out “her” wherever it appears and~~
 21 ~~inserting in lieu thereof “the”; and~~

22 ~~(4) by inserting “or section 202 (f)” after “section~~
 23 ~~202 (e)” wherever it appears.~~

24 ~~(c) Section 216 of such Act (as amended by the pre-~~

1 ~~coding provisions of this Act) is further amended by in-~~
 2 ~~serting before subsection (b) the following new subsection:~~

3 ~~“Spouse; Surviving Spouse~~

4 ~~“(a) (1) The term ‘spouse’ means a wife as defined~~
 5 ~~in subsection (b) or a husband as defined in subsection (f).~~

6 ~~“(2) The term ‘surviving spouse’ means a widow as~~
 7 ~~defined in subsection (c) or a widower as defined in sub-~~
 8 ~~section (g).”.~~

9 ~~EQUALIZATION OF BENEFITS UNDER SECTION 228~~

10 ~~SEC. 405. (a) Section 228 (b) (2) of the Social Secu-~~
 11 ~~rity Act is amended—~~

12 ~~(1) by striking out “the husband’s benefit” and~~
 13 ~~inserting in lieu thereof “each of their benefits”;~~

14 ~~(2) by striking out “\$64.40” and inserting in lieu~~
 15 ~~thereof “\$48.30”; and~~

16 ~~(3) by striking out everything after “section~~
 17 ~~215 (i)” the first time it appears and inserting in lieu~~
 18 ~~thereof a period.~~

19 ~~(b) Section 228 (c) (3) of such Act is amended to~~
 20 ~~read as follows:~~

21 ~~“(3) In the case of a husband or wife, both of whom~~
 22 ~~are entitled to benefits under this section for any month, the~~
 23 ~~benefit amount of each, after any reduction under paragraph~~
 24 ~~(1), shall be further reduced (but not below zero) by the~~
 25 ~~excess (if any) of (A) the total amount of any periodic~~

1 ~~benefits under governmental pension systems for which the~~
 2 ~~other is eligible for such month, over (B) the larger of~~
 3 ~~\$18.30 or the amount most recently established in lieu~~
 4 ~~thereof under section 215 (i)."~~

5 ~~(c) The Secretary shall increase the amounts specified~~
 6 ~~in section 228 of the Social Security Act, as amended by~~
 7 ~~this section, to take account of any general benefit increases~~
 8 ~~(as referred to in section 215 (i) (3) of such Act), and~~
 9 ~~any increases under section 215 (i) of such Act, which~~
 10 ~~occur after June 1974.~~

11 ~~FATHER'S INSURANCE BENEFITS~~

12 ~~SEC. 406. (a) Section 202 (g) of the Social Security~~
 13 ~~Act is amended—~~

14 ~~(1) by striking out "widow" wherever it appears~~
 15 ~~and inserting in lieu thereof "surviving spouse";~~

16 ~~(2) by striking out "widow's" wherever it appears~~
 17 ~~and inserting in lieu thereof "surviving spouse's";~~

18 ~~(3) by striking out "wife's insurance benefits" in~~
 19 ~~paragraph (1) (D) and inserting in lieu thereof "a~~
 20 ~~spouse's insurance benefit";~~

21 ~~(4) by striking out "he" in paragraph (1) (D)~~
 22 ~~and wherever it appears in paragraph (3) and inserting~~
 23 ~~in lieu thereof "such individual";~~

24 ~~(5) by striking out "her" wherever it appears and~~
 25 ~~inserting in lieu thereof "his or her";~~

1 ~~(6) by striking out "she" wherever it appears and~~
 2 ~~inserting in lieu thereof "he or she";~~

3 ~~(7) by striking out "mother" wherever it appears~~
 4 ~~and inserting in lieu thereof "parent";~~

5 ~~(8) by inserting "or father's" after "mother's"~~
 6 ~~wherever it appears;~~

7 ~~(9) by striking out "after August 1950";~~

8 ~~(10) by inserting "this subsection or" before "sub-~~
 9 ~~section (a)" in paragraph (3) (A); and~~

10 ~~(11) by striking out "his" in paragraph (3) and~~
 11 ~~inserting in lieu thereof "his or her".~~

12 ~~(b) The heading of section 202 (g) of such Act is~~
 13 ~~amended by inserting "and Father's" after "Mother's".~~

14 ~~(c) Section 216 (d) of such Act (as amended by sec-~~
 15 ~~tion 401 (c) (1) of this Act) is further amended by redesign-~~
 16 ~~ating paragraph (6) as paragraph (8), and by inserting~~
 17 ~~after paragraph (5) the following new paragraphs:~~

18 ~~"(6) The term 'surviving divorced father' means a man~~
 19 ~~divorced from an individual who has died, but only if (A)~~
 20 ~~he is the father of her son or daughter, (B) he legally~~
 21 ~~adopted her son or daughter while he was married to her~~
 22 ~~and while such son or daughter was under the age of 18,~~
 23 ~~(C) she legally adopted his son or daughter while he was~~
 24 ~~married to her and while such son or daughter was under the~~

1 ~~age of 18, or (D) he was married to her at the time both of~~
 2 ~~them legally adopted a child under the age of 18.~~

3 ~~“(7) The term ‘surviving divorced parent’ means a sur-~~
 4 ~~viving divorced mother as defined in paragraph (3) of this~~
 5 ~~subsection or a surviving divorced father as defined in para-~~
 6 ~~graph (6).”.~~

7 ~~(d) Section 202 (e) (1) of such Act (as amended by~~
 8 ~~section 401 (a) (2) of this Act) is further amended by in-~~
 9 ~~serting “(subject to subsection (s))” before “be entitled~~
 10 ~~to” in the matter following subparagraph (E) and pre-~~
 11 ~~ceding subparagraph (F).~~

12 ~~(e) Section 202 (e) (1) (B) of such Act is amended by~~
 13 ~~inserting after “62” the following: “or (in the case of a~~
 14 ~~husband) has in his care (individually or jointly with such~~
 15 ~~individual) at the time of filing such application a child en-~~
 16 ~~titled to child’s insurance benefits on the basis of the wages~~
 17 ~~and self-employment income of such individual”.~~

18 ~~(f) Section 202 (e) (1) of such Act (as amended by~~
 19 ~~section 401 (a) (2) (C) of this Act) is further amended by~~
 20 ~~redesignating the new subparagraphs (J) and (K) as sub-~~
 21 ~~paragraphs (K) and (L), respectively, and by adding after~~
 22 ~~subparagraph (I) the following new subparagraph:~~

23 ~~“(J) in the case of a husband who has not attained~~

1 ~~age 62, no child of such individual is entitled to a child's~~
 2 ~~insurance benefit,".~~

3 ~~(g) Section 202 (f) (1) (C) of such Act is amended by~~
 4 ~~inserting "(i)" after "(C)", by adding "or" after "222,"~~
 5 ~~and by inserting at the end thereof the following new clause:~~

6 ~~"(ii) was entitled, on the basis of such wages and~~
 7 ~~self-employment income, to father's insurance benefits~~
 8 ~~for the month preceding the month in which he attained~~
 9 ~~age 65,".~~

10 ~~(h) Section 202 (f) (6) of such Act is amended by~~
 11 ~~striking out "or" at the end of subparagraph (A), by add-~~
 12 ~~ing "or" after the comma at the end of subparagraph (B),~~
 13 ~~and by adding after and below subparagraph (B) the fol-~~
 14 ~~lowing new subparagraph:~~

15 ~~"(C) the last month for which he was entitled to~~
 16 ~~father's insurance benefits on the basis of the wages and~~
 17 ~~self-employment income of such individual,".~~

18 ~~EFFECT OF MARRIAGE ON CHILDHOOD DISABILITY~~

19 ~~BENEFICIARY~~

20 ~~Sec. 407. (a) Section 202 (d) (5) of the Social Secu-~~
 21 ~~rity Act is amended by striking out "a male individual" in~~
 22 ~~the matter following subparagraph (B) and inserting in~~
 23 ~~lieu thereof "an individual".~~

24 ~~(b) The amendment made by subsection (a) of this~~
 25 ~~section shall be effective with respect to benefits under title~~

1 ~~II of the Social Security Act for months after December~~
2 ~~1977, but only in cases where the "last month" referred to~~
3 ~~in section 202 (d) (5) of such Act is a month after Decem-~~
4 ~~ber 1977.~~

5 ~~EFFECT OF MARRIAGE ON OTHER DEPENDENTS' OR~~
6 ~~DEPENDENT SURVIVORS' BENEFITS~~

7 ~~SEC. 408. (a) Section 202 (c) (4) of the Social Se-~~
8 ~~curity Act (as added by section 401 (a) (4) of this Act) is~~
9 ~~further amended by inserting before the period at the end~~
10 ~~thereof the following: "; except that, in the case of such a~~
11 ~~marriage to an individual entitled to benefits under subsec-~~
12 ~~tion (d), the preceding provisions of this paragraph shall not~~
13 ~~apply with respect to benefits for months after the last month~~
14 ~~for which such individual is entitled to such benefits under~~
15 ~~subsection (d) unless she ceases to be so entitled by reason of~~
16 ~~her death".~~

17 ~~(b) Section 202 (f) (4) of such Act is amended by in-~~
18 ~~serting before the period at the end thereof the following:~~
19 ~~" ; except that, in the case of a marriage to an individual~~
20 ~~entitled to benefits under subsection (d), the preceding pro-~~
21 ~~visions of this paragraph shall not apply with respect to~~
22 ~~benefits for months after the last month for which such in-~~
23 ~~dividual is entitled to such benefits under subsection (d)~~
24 ~~unless she ceases to be so entitled by reason of her death".~~

1 ~~(e) Section 202 (h) (4) of such Act is amended by~~
 2 ~~striking out "a male individual" in the matter following~~
 3 ~~clause (B) and inserting in lieu thereof "an individual".~~

4 ~~(d) The amendments made by this section shall be ef-~~
 5 ~~fective with respect to benefits under title II of the Social~~
 6 ~~Security Act for months after December 1977, but only in~~
 7 ~~cases where the "last month" referred to in section 202 (c)~~
 8 ~~(4), 202 (f) (4), 202 (g) (3), or 202 (h) (4) is a month~~
 9 ~~after December 1977.~~

10 ~~TREATMENT OF SELF-EMPLOYMENT INCOME IN~~
 11 ~~COMMUNITY PROPERTY STATES~~

12 ~~SEC. 409. (a) Section 211 (a) (5) (A) of the Social~~
 13 ~~Security Act and section 1402 (a) (5) (A) of the Internal~~
 14 ~~Revenue Code of 1954 are each amended by striking out~~
 15 ~~"husband unless the wife exercises substantially all of the~~
 16 ~~management and control of such trade or business, in which~~
 17 ~~case all of such gross income and deductions shall be treated~~
 18 ~~as the gross income and deductions of the wife" and inserting~~
 19 ~~in lieu thereof "spouse who exercises the greater manage-~~
 20 ~~ment and control over the trade or business, except that such~~
 21 ~~income and deductions shall be divided equally between the~~
 22 ~~two spouses if each spouse exercises the same amount of man-~~
 23 ~~agement and control over the trade or business".~~

24 ~~(b) The amendments made by subsection (a) shall be~~

1 ~~effective with respect to taxable years beginning after De-~~
 2 ~~cember 1977.~~

3 ~~CREDIT FOR CERTAIN MILITARY SERVICE~~

4 ~~SEC. 410. Section 217 (f) of the Social Security Act~~
 5 ~~is amended by striking out "widow" each place it appears~~
 6 ~~and inserting in lieu thereof "surviving spouse", and by~~
 7 ~~striking out "her" each place it appears in paragraph (2)~~
 8 ~~and inserting in lieu thereof "his".~~

9 ~~CONFORMING AMENDMENTS~~

10 ~~SEC. 411. (a) Section 202 (b) (3) (A) of the Social~~
 11 ~~Security Act (as amended by section 401 (a) (6) of this~~
 12 ~~Act) is further amended by inserting "(g)," after "(f)".~~

13 ~~(b) Section 202 (p) (1) of such Act is amended by~~
 14 ~~striking out "subparagraph (C) of subsection (e) (1)"~~
 15 ~~and inserting in lieu thereof "subparagraph (D) of sub-~~
 16 ~~section (e) (1)".~~

17 ~~(c) Section 202 (q) (3) of such Act is amended by~~
 18 ~~inserting "or surviving divorced husband" after "widower"~~
 19 ~~in subparagraphs (E), (F), and (G).~~

20 ~~(d) Section 202 (q) (5) of such Act is amended —~~

21 ~~(1) by inserting "husband's or" before "wife's"~~
 22 ~~each place it appears;~~

23 ~~(2) by inserting "he or" before "she" each place~~
 24 ~~it appears;~~

1 ~~(3) by inserting "his or" before "her" each place~~
 2 ~~it appears;~~

3 ~~(4) by striking out "the woman" in subparagraph~~
 4 ~~(B) (ii) and "a woman" in subparagraph (C) and~~
 5 ~~inserting in lieu thereof "the individual" and "an indi-~~
 6 ~~vidual", respectively; and~~

7 ~~(5) in subparagraph (D), by inserting "widower's~~
 8 ~~or" before "widow's"; by inserting "wife or" before~~
 9 ~~"husband" each place it appears; by inserting "wife's~~
 10 ~~or" before "husband's" each place it appears; and by~~
 11 ~~inserting "father's or" before "mother's".~~

12 ~~(c) (1) Section 202 (q) (6) (A) (i) of such Act is~~
 13 ~~amended by striking out "or husband's insurance" in sub-~~
 14 ~~division (I), and by inserting "or husband's" after "wife's"~~
 15 ~~in subdivision (II).~~

16 ~~(2) Section 202 (q) (7) of such Act is amended, in~~
 17 ~~subparagraph (B), by inserting "husband's or" before~~
 18 ~~"wife's", by inserting "he or" before "she", and by insert-~~
 19 ~~ing "his or" before "her", and in subparagraph (D) by~~
 20 ~~inserting "or widower's" after "widow's".~~

21 ~~(f) (1) Section 202 (s) (1) of such Act is amended~~
 22 ~~by inserting "(c) (1)," after "(b) (1),".~~

23 ~~(2) Section 202 (s) (2) of such Act is amended by~~
 24 ~~inserting "(c) (1)," after "(b) (3),".~~

25 ~~(3) Section 202 (s) (3) of such Act is amended by~~

1 ~~inserting “(c) (4),” after “(b) (3),” and by inserting~~
2 ~~“(f) (4),” after “(e) (3),”.~~

3 ~~(g) Section 203 (a) (3) of such Act (as in effect in~~
4 ~~December 1977) is amended by inserting “, or as a divorced~~
5 ~~husband under section 202 (e) or as a surviving divorced~~
6 ~~husband under section 202 (f),” after “section 202 (e),” by~~
7 ~~striking out “she” and inserting in lieu thereof “he or she”,~~
8 ~~and by inserting “or divorced husband or surviving divorced~~
9 ~~husband” after “such divorced wife or surviving divorced~~
10 ~~wife”.~~

11 ~~(h) The third sentence of section 203 (b) of such Act~~
12 ~~is amended by inserting “or father’s” after “mother’s”.~~

13 ~~(i) The text of section 203 (c) of such Act is amended~~
14 ~~to read as follows—~~

15 ~~“(c) Deductions, in such amounts and at such time or~~
16 ~~times as the Secretary shall determine, shall be made from~~
17 ~~any payment or payments under this title to which an indi-~~
18 ~~vidual is entitled, until the total of such deductions equals~~
19 ~~such individual’s benefits or benefit under section 202 for~~
20 ~~any month—~~

21 ~~“(1) in which such individual is under the age of~~
22 ~~seventy-two and on seven or more different calendar~~
23 ~~days of which such individual engaged in noncovered~~
24 ~~remunerative activity outside the United States; or~~

25 ~~“(2) in which such individual, if a wife or husband~~

1 ~~under age sixty five entitled to a wife's or husband's~~
2 ~~insurance benefit, did not have in his or her care (indi-~~
3 ~~vidually or jointly with his or her spouse) a child of such~~
4 ~~spouse entitled to a child's insurance benefit and such~~
5 ~~wife's or husband's insurance benefit for such month was~~
6 ~~not reduced under the provisions of section 202 (q) ; or~~

7 ~~"(3) in which such individual, if a widow or wid-~~
8 ~~ower entitled to a mother's or father's insurance benefit,~~
9 ~~did not have in his or her care a child of his or her de-~~
10 ~~ceased spouse entitled to a child's insurance benefit; or~~

11 ~~"(4) in which such an individual, if a surviving~~
12 ~~divorced mother or father entitled to a mother's or fa-~~
13 ~~ther's insurance benefit, did not have in his or her care a~~
14 ~~child of his deceased former spouse who (A) is his or~~
15 ~~her son, daughter, or legally adopted child and (B) is~~
16 ~~entitled to a child's insurance benefit on the basis of the~~
17 ~~wages and self-employment income of such deceased for-~~
18 ~~mer spouse.~~

19 ~~For purposes of paragraphs (2), (3), and (4) of this sub-~~
20 ~~section, a child shall not be considered to be entitled to a~~
21 ~~child's insurance benefit for any month in which paragraph~~
22 ~~(1) of section 202 (s) applies or an event specified in sec-~~
23 ~~tion 222 (b) occurs with respect to such child. Subject to~~
24 ~~paragraph (3) of such section 202 (s), no deductions shall~~
25 ~~be made under this subsection from any child's insurance~~

1 ~~benefit for the month in which the child entitled to such~~
 2 ~~benefit attained the age of eighteen or any subsequent~~
 3 ~~month; nor shall any deduction be made under this subsec-~~
 4 ~~tion from any widow's insurance benefits for any month in~~
 5 ~~which the widow or surviving divorced wife is entitled and~~
 6 ~~has not attained age sixty five (but only if she became so~~
 7 ~~entitled prior to attaining age sixty), or from any widower's~~
 8 ~~insurance benefit for any month in which the widower or~~
 9 ~~surviving divorced husband is entitled and has not attained~~
 10 ~~age sixty five (but only if he became so entitled prior to~~
 11 ~~attaining age sixty)."~~

12 ~~(j) Section 203 (d) of such Act is amended by inserting~~
 13 ~~"divorced husband," after "husband," in paragraph (1),~~
 14 ~~and by inserting "or father's" after "mother's" each place~~
 15 ~~it appears in paragraph (2).~~

16 ~~(k) (1) Section 205 (b) of such Act (as amended by~~
 17 ~~section 401 (d) (1) of this Act) is further amended by~~
 18 ~~inserting "surviving divorced father," after "mother,".~~

19 ~~(2) Section 205 (e) (1) (C) of such Act (as amended~~
 20 ~~by section 401 (d) (2) of this Act) is further amended by~~
 21 ~~inserting "surviving divorced father," after "surviving~~
 22 ~~divorced mother,".~~

23 ~~(l) Section 216 (f) of such Act is amended by inserting~~
 24 ~~"(e)," before "(f)" in clause (3) (A).~~

1 ~~(m) Section 216 (g) of such Act is amended by insert-~~
 2 ~~ing "(c)," before "(f)" in clause (6) (A).~~

3 ~~(n) Section 222 (b) (1) of such Act is amended by~~
 4 ~~striking out "or surviving divorced wife" and inserting in~~
 5 ~~lieu thereof ", surviving divorced wife, or surviving divorced~~
 6 ~~husband".~~

7 ~~(o) Section 222 (b) (3) of such Act is amended by~~
 8 ~~inserting "divorced husband," after "husband,".~~

9 ~~(p) Section 222 (b) (2) of such Act is amended by~~
 10 ~~inserting "or father's" after "mother's" each place it appears.~~

11 ~~(q) Section 222 (d) (1) of such Act is amended by~~
 12 ~~inserting "and surviving divorced husbands" after "for~~
 13 ~~widowers" in the matter following clause (iii).~~

14 ~~(r) Section 223 (d) (2) of such Act is amended by~~
 15 ~~striking out "or widower" where that term appears in sub-~~
 16 ~~paragraphs (A) and (B) and inserting in lieu thereof~~
 17 ~~"widower, or surviving divorced husband".~~

18 ~~(s) Section 225 of such Act is amended by inserting "or~~
 19 ~~surviving divorced husband" after "widower".~~

20 ~~(t) (1) Section 226 (h) (3) of such Act is amended to~~
 21 ~~read as follows:~~

22 ~~"(3) For purposes of determining entitlement to hos-~~
 23 ~~pital insurance benefits under subsection (b), any disabled~~
 24 ~~widow age 50 or older who is entitled to mother's insurance~~
 25 ~~benefits (and who would have been entitled to widow's~~

1 ~~insurance benefits by reason of disability if she had filed~~
 2 ~~for such widow's benefits), and any disabled widower who~~
 3 ~~is entitled to father's insurance benefits (and who would~~
 4 ~~have been entitled to widower's insurance benefits by reason~~
 5 ~~of disability if he had filed for such widower's benefits),~~
 6 ~~shall, upon application for such hospital insurance bene-~~
 7 ~~fits, be deemed to have filed for such widow's or widower's~~
 8 ~~benefits."~~

9 ~~(2) For purposes of determining entitlement to hospital~~
 10 ~~insurance benefits under section 226(h)(3) of the Social~~
 11 ~~Security Act, as amended by paragraph (1) of this subsec-~~
 12 ~~tion, an individual becoming entitled to such hospital insur-~~
 13 ~~ance benefits as a result of the amendment made by such~~
 14 ~~paragraph shall, upon furnishing proof of such disability~~
 15 ~~within twelve months after the month of enactment of this~~
 16 ~~Act, under such procedures as the Secretary may prescribe,~~
 17 ~~be deemed to have been entitled to the widow's or widower's~~
 18 ~~benefits referred to in such section 226(h)(3), as so~~
 19 ~~amended, as of the time such individual would have been~~
 20 ~~entitled to such widow's or widower's benefits if he or she~~
 21 ~~had filed a timely application therefor.~~

22 ~~EFFECTIVE DATE~~

23 ~~SEC. 412. Except as otherwise specifically provided in~~
 24 ~~this part, the amendments made by this part shall apply only~~

1 ~~with respect to monthly benefits payable under title II of the~~
 2 ~~Social Security Act for months after December 1977.~~

3 ~~PART B EFFECT OF MARRIAGE, REMARRIAGE, AND~~

4 ~~DIVORCE ON BENEFIT ELIGIBILITY~~

5 ~~ELIMINATION OF MARRIAGE OR REMARRIAGE AS FACTOR~~

6 ~~TERMINATING OR REDUCING BENEFITS~~

7 ~~SEC. 415. (a) (1) Section 202(b) (1) of the Social~~
 8 ~~Security Act is amended—~~

9 ~~(A) by adding “and” at the end of subparagraph~~

10 ~~(B),~~

11 ~~(B) by striking out subparagraph (C),~~

12 ~~(C) by striking out subparagraph (H), and~~

13 ~~(D) by redesignating subparagraphs (D), (E),~~

14 ~~(F), (G), (I), (J), and (K) as subparagraphs (C),~~

15 ~~(D), (E), (F), (G), (H), and (I), respectively.~~

16 ~~(2) Section 202(b) of such Act is further amended by~~
 17 ~~striking out paragraph (3).~~

18 ~~(b) (1) Section 202(c) (1) of such Act (as amended~~
 19 ~~by sections 401(a) (2) and 406(f) of this Act) is~~
 20 ~~amended—~~

21 ~~(A) by striking out subparagraph (C),~~

22 ~~(B) by striking out subparagraph (I), and~~

23 ~~(C) by redesignating subparagraphs (D), (E),~~

24 ~~(F), (G), (H), (J), (K), and (L) as subparagraphs~~

1 ~~(C), (D), (E), (F), (G), (H), (I), and (J),~~
 2 ~~respectively.~~

3 ~~(2) Section 202 (e) of such Act is further amended by~~
 4 ~~striking out paragraph (4) (as added by section 401 (a)~~
 5 ~~(4) of this Act and amended by section 408 (a)).~~

6 ~~(3) Section 202 (e) (2) of such Act (as amended by~~
 7 ~~section 401 (a) (5) of this Act) is further amended by~~
 8 ~~striking out "(D)" in the matter immediately preceding~~
 9 ~~subparagraph (A) and inserting in lieu thereof "(C)".~~

10 ~~(e) (1) Section 202 (d) (1) of such Act is amended—~~
 11 ~~(A) by striking out "was unmarried and" in sub-~~
 12 ~~paragraph (B), and~~

13 ~~(B) by striking out "or marries," in subparagraph~~
 14 ~~(D).~~

15 ~~(2) Section 202 (d) of such Act is further amended by~~
 16 ~~striking out paragraph (5), and by redesignating paragraphs~~
 17 ~~(6) through (9) as paragraphs (5) through (8), respec-~~
 18 ~~tively.~~

19 ~~(d) (1) Section 202 (e) (1) of such Act is amended—~~
 20 ~~(A) by striking out subparagraph (A),~~
 21 ~~(B) by striking out "paragraph (5)" in subpara-~~
 22 ~~graph (B) and inserting in lieu thereof "paragraph~~
 23 ~~(3)".~~

24 ~~(C) by striking out "subparagraph (B)" in sub-~~

1 ~~paragraph (E) and inserting in lieu thereof “subpara-~~
 2 ~~graph (A)”;~~

3 ~~(D) by striking out “subparagraph (B)”, “para-~~
 4 ~~graph (6)”, and “paragraph (5)” in subparagraph~~
 5 ~~(F) and inserting in lieu thereof “subparagraph (A)”,~~
 6 ~~“paragraph (4)”, and “paragraph (3)”, respectively,~~
 7 ~~(E) by striking out “remarries, dies,” in the matter~~
 8 ~~following subparagraph (F) and inserting in lieu thereof~~
 9 ~~“dies, or”, and~~

10 ~~(F) by redesignating subparagraphs (B) through~~
 11 ~~(F) as subparagraphs (A) through (E), respectively.~~

12 ~~(2) Section 202 (e) (2) (A) of such Act is amended by~~
 13 ~~striking out “, paragraph (4) of this subsection,”~~

14 ~~(3) Section 202 (e) of such Act is further amended by~~
 15 ~~striking out paragraphs (3) and (4), and by redesignating~~
 16 ~~paragraphs (5), (6), and (7) as paragraphs (3), (4), and~~
 17 ~~(5), respectively.~~

18 ~~(4) The paragraph of section 202 (e) of such Act re-~~
 19 ~~designated as paragraph (3) by paragraph (3) of this sub-~~
 20 ~~section is amended by striking out “(1) (B) (ii)” and insert-~~
 21 ~~ing in lieu thereof “(1) (A) (ii)”.~~

22 ~~(5) The paragraph of section 202 (e) of such Act re-~~
 23 ~~designated as paragraph (4) by paragraph (3) of this sub-~~
 24 ~~section is amended—~~

1 ~~(A) by striking out “paragraph (1) (F)” and in-~~
 2 ~~serting in lieu thereof “paragraph (1) (E)”, and~~

3 ~~(B) by striking out “paragraph (5)” and inserting~~
 4 ~~in lieu thereof “paragraph (3)”.~~

5 ~~(e) (1) Section 202 (f) (1) of such Act (as amended~~
 6 ~~by the preceding provisions of this title) is further amended—~~

7 ~~(A) by striking out subparagraph (A),~~

8 ~~(B) by striking out “paragraph (6)” in subpara-~~
 9 ~~graph (B) and inserting in lieu thereof “paragraph~~
 10 ~~(4)”;~~

11 ~~(C) by striking out “subparagraph (B)” in sub-~~
 12 ~~paragraph (F) and inserting in lieu thereof “subpara-~~
 13 ~~graph (A)”;~~

14 ~~(D) by striking out “subparagraph (B)”, “para-~~
 15 ~~graph (7)”, and “paragraph (6)” in subparagraph-~~
 16 ~~(G) and inserting in lieu thereof “subparagraph (A)”;~~
 17 ~~“paragraph (5)”, and “paragraph (4)”, respectively,~~

18 ~~(E) by striking out “remarries,” in the matter fol-~~
 19 ~~lowing subparagraph (G), and~~

20 ~~(F) by redesignating subparagraphs (B) through~~
 21 ~~(G) as subparagraphs (A) through (F), respectively.~~

22 ~~(2) Section 202 (f) (2) of such Act is amended by~~
 23 ~~striking out “subparagraph (D)” and inserting in lieu~~
 24 ~~thereof “subparagraph (C)”.~~

1 ~~(3) Section 202 (f) (3) (A) of such Act is amended~~
 2 ~~by striking out “, paragraph (5) of this subsection,”.~~

3 ~~(4) Section 202 (f) of such Act is further amended by~~
 4 ~~striking out paragraphs (4) and (5), and by redesignating~~
 5 ~~paragraphs (6), (7), and (8) as paragraphs (4), (5),~~
 6 ~~and (6), respectively.~~

7 ~~(5) The paragraph of section 202 (f) of such Act re-~~
 8 ~~designated as paragraph (4) by paragraph (4) of this sub-~~
 9 ~~section is amended by striking out “(1) (B) (ii)” and in-~~
 10 ~~serting in lieu thereof “(1) (A) (ii)”.~~

11 ~~(6) The paragraph of section 202 (f) of such Act re-~~
 12 ~~designated as paragraph (5) by paragraph (4) of this sub-~~
 13 ~~section is amended by striking out “paragraph (1) (G)”~~
 14 ~~and “paragraph (6)” and inserting in lieu thereof “para-~~
 15 ~~graph (1) (F)” and “paragraph (4)”, respectively.~~

16 ~~(f) (1) Section 202 (g) (1) of such Act (as amended~~
 17 ~~by section 406 (a) of this Act) is further amended—~~

18 ~~(A) by striking out subparagraph (A),~~

19 ~~(B) by striking out “subparagraph (E)” in sub-~~
 20 ~~paragraph (F) (i) and inserting in lieu thereof “sub-~~
 21 ~~paragraph (D)”.~~

22 ~~(C) by striking out “he remarries,” in the matter~~
 23 ~~following subparagraph (F), and~~

24 ~~(D) by redesignating subparagraphs (B) through~~
 25 ~~(F) as subparagraphs (A) through (E), respectively.~~

1 ~~(2) Section 202 (g) of such Act is further amended by~~
 2 ~~striking out paragraph (3).~~

3 ~~(g) (1) Section 202 (h) (1) of such Act is amended—~~
 4 ~~(A) by striking out subparagraph (C),~~
 5 ~~(B) by striking out “marries,” in the matter fol-~~
 6 ~~lowing subparagraph (E), and~~
 7 ~~(C) by redesignating subparagraphs (D) and (E)~~
 8 ~~as subparagraphs (C) and (D), respectively.~~

9 ~~(2) Section 202 (h) of such Act is further amended by~~
 10 ~~striking out paragraph (4).~~

11 ~~(h) (1) Section 202 (k) (2) (B) of such Act is~~
 12 ~~amended—~~

13 ~~(A) by striking out “(other than an individual to~~
 14 ~~whom subsection (e) (4) or (f) (5) applies),” and~~
 15 ~~(B) by striking out the second sentence.~~

16 ~~(2) Section 202 (k) (3) of such Act is amended—~~

17 ~~(A) by striking out “(A)” immediately before “If~~
 18 ~~an individual is entitled to an old-age or disability in-~~
 19 ~~surance benefit,” and~~

20 ~~(B) by striking out subparagraph (B).~~

21 ~~(i) Section 202 (p) (1) of such Act (as amended by~~
 22 ~~section 411 (b) of this Act) is further amended by striking~~
 23 ~~out “subparagraph (D) of subsection (e) (1), clause (i) or~~
 24 ~~(ii) of subparagraph (D) of subsection (f) (1)” and insert-~~
 25 ~~ing in lieu thereof “subparagraph (C) of subsection (e) (1),~~

1 ~~clause (i) or (ii) of subparagraph (C) of subsection (f)~~
 2 ~~(1)''.~~

3 ~~(j) (1) Section 202 (s) (2) of such Act is repealed.~~

4 ~~(2) Section 202 (s) (3) of such Act (as amended by~~
 5 ~~section 411 (f) (3) of this Act) is further amended by~~
 6 ~~striking out "so much of subsections (b) (3), (c) (4),~~
 7 ~~(d) (5), (e) (3), (f) (4), (g) (3), and (h) (4) of this~~
 8 ~~section as follows the semicolon,".~~

9 ~~DURATION OF MARRIAGE REQUIREMENT FOR DIVORCED~~
 10 ~~SPOUSES AND SURVIVING DIVORCED SPOUSES~~

11 ~~SEC. 416. (a) Section 216 (d) of the Social Security~~
 12 ~~Act is amended by striking out "20 years" in paragraphs~~
 13 ~~(1) and (2), and in paragraphs (4) and (5) (as added by~~
 14 ~~section 401 (c) (1) of this Act), and inserting in lieu thereof~~
 15 ~~in each instance "5 years".~~

16 ~~(b) Section 202 (b) (1) (F) of such Act (as redesign-~~
 17 ~~ated by section 415 (a) (1) (D) of this Act) is amended~~
 18 ~~by striking out "20 years" and inserting in lieu thereof~~
 19 ~~"5 years".~~

20 ~~(c) Section 202 (e) (1) (G) of such Act (as added by~~
 21 ~~section 401 (a) (2) (C) of this Act and redesignated by~~
 22 ~~section 415 (b) (1) (C)) is amended by striking out "20~~
 23 ~~years" and inserting in lieu thereof "5 years".~~

~~EFFECTIVE DATE~~

1

2 ~~SEC. 417. (a) The amendments made by this part shall~~
3 ~~apply only with respect to monthly benefits payable under~~
4 ~~title II of the Social Security Act for months after December~~
5 ~~1978, and, in the case of individuals who are not entitled~~
6 ~~to benefits of the type involved under such title for December~~
7 ~~1978, only on the basis of applications filed on or after~~
8 ~~January 1, 1979.~~

9 ~~(b) An individual whose entitlement to monthly in-~~
10 ~~surance benefits under subsection (b), (c), (d), (e), (f),~~
11 ~~(g), or (h) of section 202 of the Social Security Act~~
12 ~~terminated on account of such individual's marriage or re-~~
13 ~~marriage, or on account of the termination (except by reason~~
14 ~~of death) of the benefits to which such individual's spouse~~
15 ~~was entitled under section 223 (a) or section 202 (d) (1) (B)~~
16 ~~(ii) of such Act, prior to January 1979, may again become~~
17 ~~entitled to such benefits (provided no event which would~~
18 ~~otherwise terminate such entitlement has since occurred) be-~~
19 ~~ginning with January 1979 or, if later, with the first month~~
20 ~~(after January 1979) in which he files application for such~~
21 ~~reentitlement. The reentitlement of such individual to benefits~~
22 ~~under such subsection (and the entitlement of other persons~~
23 ~~to benefits under title II of the Social Security Act to the~~

1 ~~extent related to such individual or his entitlement) shall~~
 2 ~~be treated for all the purposes of title II of the Social Security~~
 3 ~~Act as though such reentitlement were the individual's initial~~
 4 ~~entitlement.~~

5 ~~PART C STUDY~~

6 ~~STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND~~
 7 ~~SEX DISCRIMINATION UNDER THE SOCIAL SECURITY~~
 8 ~~PROGRAM~~

9 ~~SEC. 421. (a) The Secretary of Health, Education, and~~
 10 ~~Welfare, in consultation with the Task Force on Sex Dis-~~
 11 ~~crimination in the Department of Justice, shall undertake~~
 12 ~~and carry out, within the Department of Health, Education,~~
 13 ~~and Welfare and the Social Security Administration, a de-~~
 14 ~~tailed study of proposals to eliminate dependency as a factor~~
 15 ~~in the determination of entitlement to spouse's benefits under~~
 16 ~~the social security program, and of proposals to bring about~~
 17 ~~equal treatment of men and women in any and all respects~~
 18 ~~under such program, taking into account the practical effects~~
 19 ~~(particularly the effect upon women's entitlement to such~~
 20 ~~benefits) of such things as—~~

21 ~~(1) changes in the nature and extent of women's~~
 22 ~~participation in the labor force,~~

23 ~~(2) the increasing divorce rate, and~~

1 (3) ~~the economic value of women's work in the~~
2 home.

3 ~~The study shall include appropriate cost analyses.~~

4 (b) ~~The Secretary shall submit to the Congress within~~
5 ~~six months after the date of the enactment of this Act a full~~
6 ~~and complete report on the study carried out under subsec-~~
7 ~~tion (a).~~

8 ~~TITLE V—CHANGES IN EARNINGS TEST UNDER~~
9 ~~THE OLD AGE, SURVIVORS, AND DISABILITY~~
10 ~~INSURANCE PROGRAM~~

11 ~~LIBERALIZATION AND EVENTUAL REPEAL OF EARNINGS~~
12 ~~TEST FOR INDIVIDUALS AGE 65 AND OVER~~

13 SEC. 501. (a) ~~Section 203(f)(8)(A) of the Social~~
14 ~~Security Act is amended by striking out "a new exempt~~
15 ~~amount which shall be effective (unless such new exempt~~
16 ~~amount is prevented from becoming effective by subpara-~~
17 ~~graph (C) of this paragraph) with respect to any individ-~~
18 ~~ual's taxable year which ends after the calendar year" and~~
19 ~~inserting in lieu thereof "the new exempt amounts (sepa-~~
20 ~~rately stated for individuals described in subparagraph (D)~~
21 ~~and for other individuals) which are to be applicable (unless~~
22 ~~prevented from becoming effective by subparagraph (C))~~

1 ~~with respect to taxable years ending in (or with the close of)~~
 2 ~~the calendar year after the calendar year”.~~

3 ~~(b) (1) Section 203 (f) (8) (B) of such Act is amended~~
 4 ~~by striking out “The exempt amount for each month of a~~
 5 ~~particular taxable year shall be” in the matter preceding~~
 6 ~~clause (i) and inserting in lieu thereof “Except as otherwise~~
 7 ~~provided in subparagraph (D), the exempt amount which is~~
 8 ~~applicable to individuals described in such subparagraph and~~
 9 ~~the exempt amount which is applicable to other individuals,~~
 10 ~~for each month of a particular taxable year, shall each be”.~~

11 ~~(2) Section 203 (f) (8) (B) (i) of such Act is amended~~
 12 ~~by striking out “the exempt amount” and inserting in lieu~~
 13 ~~thereof “the corresponding exempt amount”.~~

14 ~~(3) The last sentence of section 203 (f) (8) (B) of such~~
 15 ~~Act is amended by striking out “the exempt amount” and~~
 16 ~~inserting in lieu thereof “an exempt amount”.~~

17 ~~(c) (1) Section 203 (f) (8) of such Act is further~~
 18 ~~amended by adding at the end thereof the following new~~
 19 ~~subparagraph:~~

20 ~~“(D) Notwithstanding any other provision of this~~
 21 ~~subsection, the exempt amount which is applicable to an~~
 22 ~~individual who has attained age 65 before the close of~~
 23 ~~the taxable year involved—~~

24 ~~“(i) shall be \$333.33 $\frac{1}{3}$ for each month of any~~
 25 ~~taxable year ending after 1977 and before 1979,~~

1 ~~"(ii) shall be \$375 for each month of any~~
 2 ~~taxable year ending after 1978 and before 1980,~~

3 ~~"(iii) shall be \$416.66 $\frac{2}{3}$ for each month of any~~
 4 ~~taxable year ending after 1979 and before 1981,~~
 5 ~~and~~

6 ~~"(iv) shall be \$458.33 $\frac{1}{3}$ for each month of any~~
 7 ~~taxable year ending after 1980 and before 1982."~~

8 ~~(2) No notification with respect to an increased exempt~~
 9 ~~amount for individuals described in section 203 (f) (8) (D)~~
 10 ~~of the Social Security Act (as added by paragraph (1) of~~
 11 ~~this subsection) shall be required under the last sentence of~~
 12 ~~section 203 (f) (8) (B) of such Act in 1977, 1978, 1979,~~
 13 ~~or 1980; and section 203 (f) (8) (C) of such Act shall not~~
 14 ~~prevent the new exempt amount determined and published~~
 15 ~~under section 203 (f) (8) (A) in 1977 from becoming effec-~~
 16 ~~tive to the extent that such new exempt amount applies to~~
 17 ~~individuals other than those described in section 203~~
 18 ~~(f) (8) (D) of such Act (as so added).~~

19 ~~(d) Subsections (f) (1), (f) (3), (f) (4) (B), and~~
 20 ~~(h) (1) (A) of section 203 of such Act are each amended~~
 21 ~~by striking out "\$200 or the exempt amount" and inserting~~
 22 ~~in lieu thereof "the applicable exempt amount".~~

23 ~~(e) Subject to subsection (f), the amendments made~~
 24 ~~by the preceding provisions of this section shall apply with~~
 25 ~~respect to taxable years ending after December 1977.~~

1 ~~(f) Effective with respect to taxable years ending after~~
 2 ~~December 31, 1981—~~

3 ~~(1) subsections (d) (1), (f) (1) (B), and (j) of~~
 4 ~~section 203 of the Social Security Act, and subsection~~
 5 ~~(e) (1) of such section 203 (as amended by section~~
 6 ~~411 (i) of this Act), are each amended by striking out~~
 7 ~~“seventy two” and inserting in lieu thereof “sixty-five”;~~

8 ~~(2) the last sentence of section 203 (e) of such Act~~
 9 ~~(as so amended) is amended by striking out “nor shall~~
 10 ~~any deduction” and all that follows and inserting in lieu~~
 11 ~~thereof “nor shall any deduction be made under this~~
 12 ~~subsection from any widow’s or widower’s insurance~~
 13 ~~benefit if the widow, surviving divorced wife, widower,~~
 14 ~~or surviving divorced husband involved became entitled~~
 15 ~~to such benefit prior to attaining age 60.”;~~

16 ~~(3) clause (D) of section 203 (f) (1) of such Act~~
 17 ~~is amended to read as follows: “(D) for which such in-~~
 18 ~~dividual is entitled to widow’s or widower’s insurance~~
 19 ~~benefits if she or he became so entitled prior to attain-~~
 20 ~~ing age 60, or”;~~

21 ~~(4) section 203 (f) (3) of such Act is amended by~~
 22 ~~striking out “age 72” and inserting in lieu thereof “age~~
 23 ~~65”;~~

24 ~~(5) section 203 (f) (5) (D) of such Act is re-~~
 25 ~~pealed;~~

1 ~~(6) section 203 (h) (1) (A) of such Act is~~
 2 ~~amended by striking out "the age of 72" and "age 72"~~
 3 ~~and inserting in lieu thereof in each instance "age 65";~~

4 ~~(7) the heading of section 203 (j) of such Act is~~
 5 ~~amended by striking out "Seventy two" and inserting~~
 6 ~~in lieu thereof "Sixty five";~~

7 ~~(8) subsections (f) (1), (f) (3), (f) (4) (B),~~
 8 ~~and (h) (1) (A) of section 203 of such Act (as~~
 9 ~~amended by section 501 (d) of this Act) are each~~
 10 ~~further amended by striking out "the applicable exempt~~
 11 ~~amount" and inserting in lieu thereof "the exempt~~
 12 ~~amount"; and~~

13 ~~(9) the amendments made by subsections (a),~~
 14 ~~(b), and (c) (1) of this section shall cease to be effe-~~
 15 ~~tive; and the provisions of section 203 of such Act~~
 16 ~~(as otherwise amended by the provisions of this Act)~~
 17 ~~shall read as they would if such subsections (a), (b),~~
 18 ~~and (c) (1) had not been enacted.~~

19 ~~ELIMINATION OF MONTHLY EARNINGS TEST~~

20 ~~SEC. 502. (a) Clause (E) of the last sentence of~~
 21 ~~section 203 (f) (1) of the Social Security Act (as amended~~
 22 ~~by section 501 (d) of this Act) is further amended by~~
 23 ~~inserting before the period at the end thereof the following:~~
 24 ~~" , if such month is in the taxable year in which occurs the~~
 25 ~~first month that is both (i) a month for which the individual~~

1 ~~is entitled to benefits under subsection (a), (b), (c), (d),~~
 2 ~~(e), (f), (g), or (h) of section 202 (without having been~~
 3 ~~entitled for the preceding month to a benefit under any~~
 4 ~~other of such subsections), and (ii) a month in which the~~
 5 ~~individual did not engage in self-employment and did not~~
 6 ~~render services for wages (determined as provided in para-~~
 7 ~~graph (5)) of more than the exempt amount as determined~~
 8 ~~under paragraph (8)).~~

9 ~~(b) The amendment made by subsection (a) shall apply~~
 10 ~~only with respect to monthly benefits payable for months~~
 11 ~~after December 1977.~~

12 ~~LIBERALIZATION OF TEST FOR DETERMINING DEDUCTIONS~~
 13 ~~ON ACCOUNT OF NONCOVERED WORK OUTSIDE THE~~
 14 ~~UNITED STATES~~

15 ~~SEC. 503. (a) Effective with respect to months in tax-~~
 16 ~~able years ending after 1977 and before 1979, subsections~~
 17 ~~(c) (1), (d) (1), and (d) (2) of section 203 of the Social~~
 18 ~~Security Act (as amended by the preceding provisions of~~
 19 ~~this Act) are each amended by striking out "seven or more"~~
 20 ~~and inserting in lieu thereof "nine or more".~~

21 ~~(b) Effective with respect to months in taxable years~~
 22 ~~ending after 1978, subsections (c) (1), (d) (1), and (d)~~
 23 ~~(2) of such section 203 (as amended by subsection (a) of~~
 24 ~~this section) are each further amended by striking out "nine~~
 25 ~~or more" and inserting in lieu thereof "twelve or more".~~

~~1 TITLE VI—COMBINED SOCIAL SECURITY AND~~
~~2 INCOME TAX ANNUAL REPORTING~~

~~3 PART A—AMENDMENTS TO TITLE II OF THE SOCIAL~~
~~4 SECURITY ACT~~

~~5 ANNUAL CREDITING OF QUARTERS OF COVERAGE~~

~~6 SEC. 601. (a) (1) Sections 209 (g) (3), 209 (j), 210~~
~~7 (a) (17) (A), and 210 (f) (4) (B) of the Social Security~~
~~8 Act are each amended by striking out "quarter" wherever~~
~~9 it appears and inserting in lieu thereof "year".~~

~~10 (2) Sections 209 (g) (3) and 209 (j) of such Act are~~
~~11 each further amended by striking out "\$50" and inserting~~
~~12 in lieu thereof "\$100".~~

~~13 (3) (A) Section 209 of such Act is amended by strik-~~
~~14 ing out "or" at the end of subsection (n), by striking out~~
~~15 the period at the end of subsection (o) and inserting in~~
~~16 lieu thereof "; or", and by inserting after subsection (o) the~~
~~17 following new subsection:~~

~~18 "(p) Remuneration paid by an organization exempt~~
~~19 from income tax under section 501 of the Internal Revenue~~
~~20 Code of 1954 in any calendar year to an employee for~~
~~21 service rendered in the employ of such organization, if the~~
~~22 remuneration paid in such year by the organization to the~~
~~23 employee for such service is less than \$100."~~

~~24 (B) Section 210 (a) (10) of such Act is amended by~~
~~25 striking out "(10 (A))" and all that follows down through~~

1 ~~"(B) Service"~~ and inserting in lieu thereof ~~"(10) Service"~~,
 2 ~~and by redesignating clauses (i) and (ii) as subparagraphs~~
 3 ~~(A) and (B), respectively.~~

4 ~~(b) Section 212 of such Act is amended to read as~~
 5 ~~follows:-~~

6 ~~"CREDITING OF SELF-EMPLOYMENT INCOME TO~~
 7 ~~CALENDAR YEARS-~~

8 ~~"SEC. 212. (a) For the purposes of determining aver-~~
 9 ~~age monthly wage and quarters of coverage the amount of~~
 10 ~~self-employment income derived during any taxable year~~
 11 ~~which begins before 1978 shall-~~

12 ~~"(1) in the case of a taxable year which is a calen-~~
 13 ~~dar year, be credited equally to each quarter of such~~
 14 ~~calendar year; and~~

15 ~~"(2) in the case of any other taxable year, be~~
 16 ~~credited equally to the calendar quarter in which such~~
 17 ~~taxable year ends and to each of the next three or fewer~~
 18 ~~preceding quarters any part of which is in such taxable~~
 19 ~~year.~~

20 ~~"(b) For the purposes of determining average indexed~~
 21 ~~monthly earnings, average monthly wage, and quarters of~~
 22 ~~coverage the amount of self-employment income derived dur-~~
 23 ~~ing any taxable year which begins after 1977 shall-~~

24 ~~"(1) in the case of a taxable year which is a~~
 25 ~~calendar year or which begins with or during a calendar~~

1 ~~year and ends with or during such year, be credited to~~
 2 ~~such calendar year; and~~

3 ~~“(2) in the case of any other taxable year, be~~
 4 ~~allocated proportionately to the two calendar years,~~
 5 ~~portions of which are included within such taxable year,~~
 6 ~~on the basis of the number of months in each such~~
 7 ~~calendar year which are included completely within the~~
 8 ~~taxable year.~~

9 ~~For purposes of clause (2), the calendar month in which a~~
 10 ~~taxable year ends shall be treated as included completely~~
 11 ~~within that taxable year.”.~~

12 ~~(c) Section 213 (a) (2) of such Act is amended to read~~
 13 ~~as follows:~~

14 ~~“(2) (A) The term ‘quarter of coverage’ means—~~

15 ~~“(i) for calendar years before 1978, and subject to~~
 16 ~~the provisions of subparagraph (B), a quarter in which~~
 17 ~~an individual has been paid \$50 or more in wages~~
 18 ~~(except wages for agricultural labor paid after 1954)~~
 19 ~~or for which he has been credited (as determined~~
 20 ~~under section 212) with \$100 or more of self-employ-~~
 21 ~~ment income; and~~

22 ~~“(ii) for calendar years after 1977, and subject~~
 23 ~~to the provisions of subparagraph (B), each portion of~~
 24 ~~the total of the wages paid and the self-employment~~
 25 ~~income credited (pursuant to section 212) to an indi-~~

1 ~~vidual in a calendar year which equals \$250, with such~~
 2 ~~quarter of coverage being assigned to a specific calendar~~
 3 ~~quarter in such calendar year only if necessary in the~~
 4 ~~case of any individual who has attained age 62 or died~~
 5 ~~or is under a disability and the requirements for insured~~
 6 ~~status in subsection (a) or (b) of section 214, the~~
 7 ~~requirements for entitlement to a computation or re-~~
 8 ~~computation of his primary insurance amount, or the~~
 9 ~~requirements of paragraph (3) of section 216 (i) would~~
 10 ~~not otherwise be met.~~

11 ~~“(B) Notwithstanding the provisions of subparagraph~~
 12 ~~(A)—~~

13 ~~“(i) no quarter after the quarter in which an~~
 14 ~~individual dies shall be a quarter of coverage, and no~~
 15 ~~quarter any part of which is included in a period of~~
 16 ~~disability (other than the initial quarter and the last~~
 17 ~~quarter of such period) shall be a quarter of coverage;~~

18 ~~“(ii) if the wages paid to an individual in any~~
 19 ~~calendar year equal to \$3,000 in the case of a calendar~~
 20 ~~year before 1951, or \$3,600 in the case of a calendar~~
 21 ~~year after 1950 and before 1955, or \$4,200 in the case~~
 22 ~~of a calendar year after 1954 and before 1959, or \$4,800~~
 23 ~~in the case of a calendar year after 1958 and before~~
 24 ~~1966, or \$6,600 in the case of a calendar year after 1965~~
 25 ~~and before 1968, or \$7,800 in the case of a calendar~~

1 ~~year after 1967 and before 1972, or \$9,000 in the case~~
2 ~~of the calendar year 1972, or \$10,800 in the case of the~~
3 ~~calendar year 1973, or \$13,200 in the case of the calen-~~
4 ~~dar year 1974, or an amount equal to the contribution~~
5 ~~and benefit base (as determined under section 230) in~~
6 ~~the case of any calendar year after 1974 with respect~~
7 ~~to which such contribution and benefit base is effective,~~
8 ~~each quarter of such year shall (subject to clauses (i)~~
9 ~~and (v)) be a quarter of coverage:~~

10 ~~“(iii) if an individual has self-employment income~~
11 ~~for a taxable year, and if the sum of such income and~~
12 ~~the wages paid to him during such year equals \$3,600-~~
13 ~~in the case of a taxable year beginning after 1950 and~~
14 ~~ending before 1955, or \$4,200 in the case of a taxable~~
15 ~~year ending after 1954 and before 1959, or \$4,800 in~~
16 ~~the case of a taxable year ending after 1958 and before~~
17 ~~1966, or \$6,600 in the case of a taxable year ending~~
18 ~~after 1965 and before 1968, or \$7,800 in the case of~~
19 ~~a taxable year ending after 1967 and before 1972, or~~
20 ~~\$9,000 in the case of a taxable year beginning after~~
21 ~~1971 and before 1973, or \$10,800 in the case of a tax-~~
22 ~~able year beginning after 1972 and before 1974, or~~
23 ~~\$13,200 in the case of a taxable year beginning after~~
24 ~~1973 and before 1975, or an amount equal to the con-~~
25 ~~tribution and benefit base (as determined under section~~

1 ~~230) which is effective for the calendar year in the case~~
2 ~~of any taxable year beginning in any calendar year after~~
3 ~~1974, each quarter any part of which falls in such year~~
4 ~~shall (subject to clauses (i) and (v)) be a quarter of~~
5 ~~coverage;~~

6 ~~“(iv) if an individual is paid wages for agricultural~~
7 ~~labor in a calendar year after 1954 and before 1978,~~
8 ~~then, subject to clauses (i) and (v), (I) the last quar-~~
9 ~~ter of such year which can be but is not otherwise a~~
10 ~~quarter of coverage shall be a quarter of coverage if such~~
11 ~~wages equal or exceed \$100 but are less than \$200;~~
12 ~~(II) the last two quarters of such year which can be~~
13 ~~but are not otherwise quarters of coverage shall be~~
14 ~~quarters of coverage if such wages equal or exceed \$200~~
15 ~~but are less than \$300; (III) the last three quarters of~~
16 ~~such year which can be but are not otherwise quarters~~
17 ~~of coverage shall be quarters of coverage if such wages~~
18 ~~equal or exceed \$300 but are less than \$400; and (IV)~~
19 ~~each quarter of such year which is not otherwise a quar-~~
20 ~~ter of coverage shall be a quarter of coverage if such~~
21 ~~wages are \$400 or more;~~

22 ~~“(v) no quarter shall be counted as a quarter of~~
23 ~~coverage prior to the beginning of such quarter;~~

24 ~~“(vi) not more than one quarter of coverage may~~
25 ~~be credited to a calendar quarter; and~~

1 ~~“(vii) no more than four quarters of coverage may~~
2 ~~be credited to any calendar year after 1977.~~

3 ~~If in the case of an individual who has attained age 62 or~~
4 ~~died or is under a disability and who has been paid wages~~
5 ~~for agricultural labor in a calendar year after 1954 and~~
6 ~~before 1978, the requirements for insured status in subsec-~~
7 ~~tion (a) or (b) of section 214, the requirements for entitle-~~
8 ~~ment to a computation or recomputation of his primary~~
9 ~~insurance amount, or the requirements of paragraph (3)~~
10 ~~of section 216 (i) are not met after assignment of quarters~~
11 ~~of coverage to quarters in such year as provided in clause~~
12 ~~(iv) of the preceding sentence, but would be met if such~~
13 ~~quarters of coverage were assigned to different quarters in~~
14 ~~such year, then such quarters of coverage shall instead be~~
15 ~~assigned, for purposes only of determining compliance with~~
16 ~~such requirements, to such different quarters. If, in the case~~
17 ~~of an individual who did not die prior to January 1, 1955,~~
18 ~~and who attained age 62 (if a woman) or age 65 (if a man)~~
19 ~~or died before July 1, 1957, the requirements for insured~~
20 ~~status in section 214 (a) (3) are not met because of his~~
21 ~~having too few quarters of coverage but would be met if his~~
22 ~~quarters of coverage in the first calendar year in which he~~
23 ~~had any covered employment had been determined on the~~
24 ~~basis of the period during which wages were earned rather~~
25 ~~than on the basis of the period during which wages were paid~~

1 ~~(any such wages paid that are reallocated on an earned basis~~
 2 ~~shall not be used in determining quarters of coverage for sub-~~
 3 ~~sequent calendar years), then upon application filed by the~~
 4 ~~individual or his survivors and satisfactory proof of his~~
 5 ~~record of wages earned being furnished by such individual~~
 6 ~~or his survivors, the quarters of coverage in such calendar~~
 7 ~~year may be determined on the basis of the periods during~~
 8 ~~which wages were earned.”~~

9 ~~(d) The amendments made by subsection (a) shall~~
 10 ~~apply with respect to remuneration paid and services ren-~~
 11 ~~dered after December 31, 1977. The amendments made by~~
 12 ~~subsections (b) and (c) shall be effective January 1, 1978.~~

13 ~~ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER~~
 14 ~~OF COVERAGE~~

15 ~~SEC. 602. (a) Section 213 (a) (2) (A) (ii) of the So-~~
 16 ~~cial Security Act, as amended by section 601 (c) of this Act,~~
 17 ~~is amended by striking out “\$250” and inserting in lieu~~
 18 ~~thereof “the amount required for a quarter of coverage in~~
 19 ~~that calendar year (as determined under subsection (d))”.~~

20 ~~(b) Section 213 of such Act is further amended by add-~~
 21 ~~ing at the end thereof the following new subsection:~~

22 ~~“Amount Required for a Quarter of Coverage~~

23 ~~“(d) (1) The amount of wages and self-employment~~
 24 ~~income which an individual must have in order to be credited~~
 25 ~~with a quarter of coverage in any year under subsection~~

1 ~~(a) (2) (A) (ii) shall be \$250 in the calendar year 1978~~
 2 ~~and the amount determined under paragraph (2) of this~~
 3 ~~subsection for years after 1978.~~

4 ~~“(2) The Secretary shall, on or before November 1 of~~
 5 ~~1978 and of every year thereafter, determine and publish~~
 6 ~~in the Federal Register the amount of wages and self-~~
 7 ~~employment income which an individual must have in order~~
 8 ~~to be credited with a quarter of coverage in the succeeding~~
 9 ~~calendar year. The amount required for a quarter of cov-~~
 10 ~~erage shall be the larger of—~~

11 ~~“(A) the amount in effect in the calendar year in~~
 12 ~~which the determination under this subsection is made, or~~

13 ~~“(B) the product of the amount prescribed in para-~~
 14 ~~graph (1) which is required for a quarter of coverage~~
 15 ~~in 1978 and the ratio of the average of the total wages~~
 16 ~~(as defined in regulations of the Secretary and computed~~
 17 ~~without regard to the limitations specified in section 209~~
 18 ~~(a)) reported to the Secretary of the Treasury or his~~
 19 ~~delegate for the calendar year before the year in which~~
 20 ~~the determination under this paragraph is made to the~~
 21 ~~average of the total wages (as so defined and computed)~~
 22 ~~reported to the Secretary of the Treasury or his delegate~~
 23 ~~for 1976 (as published in the Federal Register in~~
 24 ~~accordance with section 215 (a) (1) (D)),~~
 25 ~~with such product, if not a multiple of \$10, being rounded~~

1 ~~to the next higher multiple of \$10 where such amount is a~~
 2 ~~multiple of \$5 but not of \$10 and to the nearest multiple of~~
 3 ~~\$10 in any other case.”~~

4 ~~(c) The amendments made by this section shall be~~
 5 ~~effective January 1, 1978.~~

6 ~~TECHNICAL AND CONFORMING AMENDMENTS~~

7 ~~SEC. 603. (a) (1) Section 203 (f) (8) (B) (i) of the~~
 8 ~~Social Security Act is amended by striking out “was” wher-~~
 9 ~~ever it appears and inserting in lieu thereof “is”.~~

10 ~~(2) Section 203 (f) (8) (B) (ii) of such Act is amended~~
 11 ~~to read as follows:-~~

12 ~~“(ii) the product of the exempt amount de-~~
 13 ~~scribed in clause (i) and the ratio of (I) the aver-~~
 14 ~~age of the total wages (as defined in regulations of~~
 15 ~~the Secretary and computed without regard to the~~
 16 ~~limitations specified in section 209 (a)) reported to~~
 17 ~~the Secretary of the Treasury or his delegate for the~~
 18 ~~calendar year before the calendar year in which the~~
 19 ~~determination under subparagraph (A) is made to~~
 20 ~~(II) the average of the total wages (as so defined~~
 21 ~~and computed) reported to the Secretary of the~~
 22 ~~Treasury or his delegate for the calendar year~~
 23 ~~before the most recent calendar year in which~~
 24 ~~an increase in the exempt amount was en-~~
 25 ~~acted or a determination resulting in such an in-~~

1 ~~crease was made under subparagraph (A), with~~
 2 ~~such product, if not a multiple of \$10, being~~
 3 ~~rounded to the next higher multiple of \$10~~
 4 ~~where such product is a multiple of \$5 but not~~
 5 ~~of \$10 and to the nearest multiple of \$10 in any~~
 6 ~~other case.”~~

7 ~~(b) (1) The first sentence of section 218 (c) (8) of~~
 8 ~~such Act is amended by striking out “quarter” wherever it~~
 9 ~~appears and inserting in lieu thereof “year”, and by striking~~
 10 ~~out “\$50” and inserting in lieu thereof “\$100”.~~

11 ~~(2) Section 218 (q) (4) (B) of such Act is amended~~
 12 ~~by striking out “any calendar quarters” and inserting in lieu~~
 13 ~~thereof “a calendar year”, and by striking out “such calendar~~
 14 ~~quarters” and inserting in lieu thereof “such calendar year”.~~

15 ~~(3) Section 218 (q) (6) (B) of such Act is amended~~
 16 ~~by striking out “calendar quarters designated by the State in~~
 17 ~~such wage reports as the” and inserting in lieu thereof~~
 18 ~~“period or periods designated by the State in such wage~~
 19 ~~reports as the period or”.~~

20 ~~(4) Section 218 (r) (1) of such Act is amended—~~

21 ~~(A) by striking out “quarter” in the matter before~~
 22 ~~clause (A) and inserting in lieu thereof “year”,~~

23 ~~(B) by striking out “in which occurred the calen-~~
 24 ~~dar quarter” in clause (A), and—~~

1 ~~(C) by striking out "quarter" in clause (B) and~~
2 ~~inserting in lieu thereof "year",~~

3 ~~(c) (1) Effective with respect to estimates for calen-~~
4 ~~dar years beginning after December 31, 1977, section 224~~

5 ~~(a) of such Act is amended by striking out the last sentence.~~

6 ~~(2) Section 224 (f) (2) of such Act is amended to read~~
7 ~~as follows:~~

8 ~~"(2) In making the redetermination required by para-~~
9 ~~graph (1), the individual's average current earnings (as~~
10 ~~defined in subsection (a)) shall be deemed to be the~~
11 ~~product of~~

12 ~~"(A) his average current earnings as initially~~
13 ~~determined under subsection (a);~~

14 ~~"(B) the ratio of (i) the average of the total wages~~
15 ~~(as defined in regulations of the Secretary and computed~~
16 ~~without regard to the limitations specified in section~~
17 ~~209 (a)) reported to the Secretary of the Treasury or~~
18 ~~his delegate for the calendar year before the year in~~
19 ~~which such redetermination is made to (ii) the average~~
20 ~~of the total wages (as so defined and computed) re-~~
21 ~~ported to the Secretary of the Treasury or his delegate~~
22 ~~for calendar year 1977 or, if later, the calendar year~~
23 ~~before the year in which the reduction was first com-~~
24 ~~puted (but not counting any reduction made in benefits~~
25 ~~for a previous period of disability); and~~

1 ~~“(C) in any case in which the reduction was first~~
 2 ~~computed before 1978, the ratio of (i) the average of~~
 3 ~~the taxable wages reported to the Secretary for the~~
 4 ~~first calendar quarter of 1977 to (ii) the average of the~~
 5 ~~taxable wages reported to the Secretary for the first~~
 6 ~~calendar quarter of the calendar year before the year in~~
 7 ~~which the reduction was first computed (but not count-~~
 8 ~~ing any reduction made in benefits for a previous period~~
 9 ~~of disability).—~~

10 ~~Any amount determined under this paragraph which is not~~
 11 ~~a multiple of \$1 shall be reduced to the next lower multiple~~
 12 ~~of \$1.”—~~

13 ~~(d) Section 220 (a) of such Act is amended—~~

14 ~~(1) by striking out “shall be deemed to have been~~
 15 ~~paid, in each calendar quarter occurring after 1956 in~~
 16 ~~which he” and inserting in lieu thereof “, if he”, and~~

17 ~~(2) by striking out “wages (in addition to the~~
 18 ~~wages actually paid to him for such service) of \$300.”~~
 19 ~~at the end thereof and inserting in lieu thereof the~~
 20 ~~following: “shall be deemed to have been paid—~~

21 ~~“(1) in each calendar quarter occurring after 1956~~
 22 ~~and before 1978 in which he was paid such wages, addi-~~
 23 ~~tional wages of \$300, and—~~

24 ~~“(2) in each calendar year occurring after 1977~~
 25 ~~in which he was paid such wages, additional wages of—~~

1 ~~\$100 for each \$300 of such wages, up to a maximum~~
2 ~~of \$1,200 of additional wages for any calendar year.”.~~

3 ~~(e) (1) Section 230 (b) of such Act is amended by~~
4 ~~striking out the last sentence.—~~

5 ~~(2) Section 230 (b) (1) of such Act is amended to~~
6 ~~read as follows:—~~

7 ~~“(1) the contribution and benefit base which is in~~
8 ~~effect with respect to remuneration paid in (and taxable~~
9 ~~years beginning in) the calendar year in which the~~
10 ~~determination under subsection (a) is made, and”.~~

11 ~~(3) Section 230 (b) (2) of such Act is amended to~~
12 ~~read as follows:—~~

13 ~~“(2) the ratio of (A) the average of the total~~
14 ~~wages (as defined in regulations of the Secretary and~~
15 ~~computed without regard to the limitations specified in~~
16 ~~section 209 (a)) reported to the Secretary of the Treas-~~
17 ~~ury or his delegate for the calendar year before the~~
18 ~~calendar year in which the determination under subsec-~~
19 ~~tion (a) is made to (B) the average of the total wages~~
20 ~~(as so defined and computed) reported to the Secretary~~
21 ~~of the Treasury or his delegate for the calendar year~~
22 ~~before the most recent calendar year in which an in-~~
23 ~~crease in the contribution and benefit base was enacted~~
24 ~~or a determination resulting in such an increase was~~
25 ~~made under subsection (a),”.~~

1 ~~(f) (1) Effective with respect to convictions after De-~~
 2 ~~cember 31, 1977, section 202 (u) (1) (C) of such Act is~~
 3 ~~amended by striking out "quarter" wherever it appears and~~
 4 ~~inserting in lieu thereof "year".~~

5 ~~(2) (A) Section 205 (e) (1) of such Act is amended~~
 6 ~~by striking out "(as defined in section 211 (e))".~~

7 ~~(B) Section 205 (e) (1) of such Act is further amended~~
 8 ~~by adding at the end thereof the following new subpara-~~
 9 ~~graph:~~

10 ~~"(D) The term 'period' when used with respect to~~
 11 ~~self-employment income means a taxable year and when~~
 12 ~~used with respect to wages means—~~

13 ~~"(i) a quarter if wages were reported or should~~
 14 ~~have been reported on a quarterly basis on tax~~
 15 ~~returns filed with the Secretary of the Treasury or~~
 16 ~~his delegate under section 6011 of the Internal Rev-~~
 17 ~~enue Code of 1954 or regulations thereunder (or~~
 18 ~~on reports filed by a State under section 218 (e)~~
 19 ~~or regulations thereunder),~~

20 ~~"(ii) a year if wages were reported or should~~
 21 ~~have been reported on a yearly basis on such tax~~
 22 ~~returns or reports, or~~

23 ~~"(iii) the half year beginning January 1 or~~
 24 ~~July 1 in the case of wages which were reported or~~
 25 ~~should have been reported for calendar year 1937."~~

1 ~~(C) Section 205 (c) of such Act is amended by insert-~~
 2 ~~ing "before 1978" after "calendar year".~~

3 ~~(g) The amendments made by subsection (b) of this~~
 4 ~~section shall apply with respect to remuneration paid after~~
 5 ~~December 31, 1977. The amendments made by subsections~~
 6 ~~(d) and (f) (2) shall be effective January 1, 1978. Except~~
 7 ~~as otherwise specifically provided, the remaining amend-~~
 8 ~~ments made by this section shall be effective January 1,~~
 9 ~~1978.~~

10 ~~PART B AMENDMENTS TO THE INTERNAL REVENUE~~

11 ~~CODE OF 1954~~

12 ~~DEDUCTION OF TAX FROM WAGES~~

13 ~~SEC. 611. (a) Section 3102 (a) of the Internal Reve-~~
 14 ~~nue Code of 1954 is amended by striking out "or (C) or~~
 15 ~~(10)", and by inserting after "is less than \$50;" the fol-~~
 16 ~~lowing: "and an employer who in any calendar year pays~~
 17 ~~to an employee cash remuneration to which paragraph (7)~~
 18 ~~(C) or (10) of section 3121 (a) is applicable may deduct~~
 19 ~~an amount equivalent to such tax from any such payment of~~
 20 ~~remuneration, even though at the time of payment the total~~
 21 ~~amount of such remuneration paid to the employee by the~~
 22 ~~employer in the calendar is less than \$100;".~~

23 ~~(b) (1) Paragraphs (1) and (2) of section 3102 (e)~~
 24 ~~of such Code are each amended by striking out "quarter"~~
 25 ~~wherever it appears and by inserting in lieu thereof "year".~~

1 ~~(2) Paragraph (3) of section 3102 (c) of such Code~~
 2 ~~is amended—~~

3 ~~(A) by striking out “quarter of the” in subpara-~~
 4 ~~graph (A); and~~

5 ~~(B) by striking out “quarter” wherever it appears~~
 6 ~~in subparagraphs (B) and (C) and inserting in lieu~~
 7 ~~thereof “year”.~~

8 ~~(c) The amendments made by this section shall apply~~
 9 ~~with respect to remuneration paid and to tips received after~~
 10 ~~December 31, 1977.~~

11 ~~TECHNICAL AND CONFORMING AMENDMENTS~~

12 ~~SEC. 612. (a) Sections 3121 (a) (7) (C) and 3121~~
 13 ~~(a) (10) of the Internal Revenue Code of 1954 are each~~
 14 ~~amended by striking out “quarter” wherever it appears and~~
 15 ~~inserting in lieu thereof “year”, and by striking out “\$50”~~
 16 ~~and inserting in lieu thereof “\$100”.~~

17 ~~(b) Section 3121 (a) of such Code is amended by strik-~~
 18 ~~ing out “or” at the end of paragraph (11), by striking out~~
 19 ~~the period at the end of paragraph (15) and inserting in lieu~~
 20 ~~thereof “; or”, and by adding after paragraph (15) the~~
 21 ~~following new paragraph:~~

22 ~~“(16) remuneration paid by an organization~~
 23 ~~exempt from income tax under section 501 (a) (other~~
 24 ~~than an organization described in section 401 (a)) or~~
 25 ~~under section 521 in any calendar year to an employee~~

1 ~~for service rendered in the employ of such organization,~~
 2 ~~if the remuneration paid in such year by the organiza-~~
 3 ~~tion to the employee for such service is less than \$100."~~

4 ~~(c) Section 3121 (b) (10) of such Code is amended by~~
 5 ~~striking out "(10) (A)" and all that follows down through~~
 6 ~~"(B) service" and inserting in lieu thereof "(10) service",~~
 7 ~~and redesignating clauses (i) and (ii) as subparagraphs~~
 8 ~~(A) and (B), respectively.~~

9 ~~(d) Sections 3121 (b) (17) (A) and 3121 (g) (1) (B)~~
 10 ~~of such Code are each amended by striking out "quarter"~~
 11 ~~and inserting in lieu thereof "year".~~

12 ~~(e) The amendments made by this section shall apply~~
 13 ~~with respect to remuneration paid and services rendered~~
 14 ~~after December 31, 1977.~~

15 ~~PART C CONFORMING AMENDMENT TO THE RAILROAD~~
 16 ~~RETIREMENT ACT OF 1974~~

17 ~~COMPUTATION OF EMPLOYEE ANNUITIES~~

18 ~~SEC. 621. (a) The last sentence of section 3 (f) (1) of~~
 19 ~~the Railroad Retirement Act of 1974 is amended—~~

20 ~~(1) by inserting "paid before 1978" after "in the~~
 21 ~~case of wages", and~~

22 ~~(2) by inserting "and in the case of wages paid~~
 23 ~~after 1977" before the period at the end thereof.~~

24 ~~(b) The amendments made by this section shall be~~
 25 ~~effective January 1, 1978.~~

1 ~~TITLE VII MISCELLANEOUS PROVISIONS~~

2 ~~ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE~~

3 ~~APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT~~

4 ~~SEC. 701. (a) Effective with respect to monthly benefits~~
 5 ~~payable for months after December 1977, section 202(q)~~
 6 ~~(1) of the Social Security Act is amended by striking out all~~
 7 ~~that follows subparagraph (B) and inserting in lieu thereof~~
 8 ~~the following:~~

9 ~~"then the amount of the reduction of such benefit (after the~~
 10 ~~application of any adjustment under paragraph (7)) for~~
 11 ~~each month beginning with the month of such increase in the~~
 12 ~~primary insurance amount shall be computed under para-~~
 13 ~~graph (1) or (3), whichever applies, as though the in-~~
 14 ~~creased primary insurance amount had been in effect for and~~
 15 ~~after the month for which the individual first became entitled~~
 16 ~~to such monthly benefit reduced under such paragraph (1)~~
 17 ~~or (3))."~~

18 ~~(b) For purposes of applying section 202(q) (1) of~~
 19 ~~the Social Security Act, as amended by subsection (a) of~~
 20 ~~this section, to monthly benefits payable for any month after~~
 21 ~~December 1977 in the case of an individual who was~~
 22 ~~entitled to a monthly benefit as reduced under section 202~~
 23 ~~(q) (1) or (3) of such Act prior to January 1978, the~~
 24 ~~amount of reduction in such benefit for the first month for~~
 25 ~~which such benefit is increased by reason of an increase in~~

~~1 the primary insurance amount of the individual on whose~~
~~2 wages and self-employment income such benefit is based and~~
~~3 for all subsequent months (and similarly for all subsequent~~
~~4 increases) shall be increased by a percentage equal to the~~
~~5 percentage of the increase in such primary insurance amount~~
~~6 (such increase being made in accordance with the provi-~~
~~7 sions of section 202 (q) (8) of such Act). Where such indi-~~
~~8 vidual's benefit, reduced under section 202 (q) of such Act,~~
~~9 is increased as a result of the use of an adjusted reduction~~
~~10 period or an additional adjusted reduction period (in ac-~~
~~11 cordance with paragraphs (1) and (3) of such section 202~~
~~12 (q)), then for the first month for which such increase is~~
~~13 effective and for all subsequent months, the amount of such~~
~~14 reduction (after the application of the previous sentence,~~
~~15 if an increase in the primary insurance amount is appli-~~
~~16 cable) shall be determined—~~

~~17 (1) in the case of old-age and spouse's insurance~~
~~18 benefits, by multiplying such amount by the ratio of (A)~~
~~19 the number of months in the adjusted reduction period~~
~~20 to (B) the number of months in the reduction period,~~
~~21 (2) in the case of widow's and widower's insurance~~
~~22 benefits for the month in which such individual attains~~
~~23 age 62, by multiplying such amount by the ratio of~~
~~24 (A) the number of months in the reduction period~~
~~25 beginning with age 62 multiplied by $\frac{19}{40}$ of 1 per~~

1 ~~centum, plus the number of months in the adjusted reduc-~~
 2 ~~tion period prior to age 62 multiplied by $\frac{19}{40}$ of 1 per~~
 3 ~~centum, plus the number of months in the adjusted~~
 4 ~~additional reduction period multiplied by $\frac{43}{240}$ of 1 per~~
 5 ~~centum to (B) the number of months in the reduction~~
 6 ~~period multiplied by $\frac{19}{40}$ of 1 per centum, plus the~~
 7 ~~number of months in the additional reduction period~~
 8 ~~multiplied by $\frac{43}{240}$ of 1 per centum, and.~~

9 ~~(3) in the case of widow's and widower's insurance~~
 10 ~~benefits for the month in which such individual attains~~
 11 ~~age 65, by multiplying such amount by the ratio of (A)~~
 12 ~~the number of months in the adjusted reduction period~~
 13 ~~multiplied by $\frac{19}{40}$ of 1 per centum, plus the number of~~
 14 ~~months in the adjusted additional reduction period mul-~~
 15 ~~tiplied by $\frac{43}{240}$ of 1 per centum to (B) the number of~~
 16 ~~months in the reduction period beginning with age 62~~
 17 ~~multiplied by $\frac{19}{40}$ of 1 per centum, plus the number of~~
 18 ~~months in the adjusted reduction period prior to age 62~~
 19 ~~multiplied by $\frac{19}{40}$ of 1 per centum, plus the number~~
 20 ~~of months in the adjusted additional reduction period~~
 21 ~~multiplied by $\frac{43}{240}$ of 1 per centum.~~

22 ~~with each such decrease being made in accordance with the~~
 23 ~~provisions of section 202 (q) (8) of such Act.~~

24 ~~(c) When an individual is entitled to more than one~~
 25 ~~monthly benefit under title II of the Social Security Act for~~

1 ~~any month and one or more of such benefits are reduced under~~
 2 ~~section 202 (q) of the Social Security Act, as amended by~~
 3 ~~this Act, subsection (b) of this section shall apply separately~~
 4 ~~to each such benefit before the application of section 202 (k)~~
 5 ~~of such Act (pertaining to the method by which monthly~~
 6 ~~benefits are offset when an individual is entitled to more than~~
 7 ~~one kind of benefit), and the application of this subsection~~
 8 ~~shall operate in conjunction with section 202 (q) (3) of the~~
 9 ~~Social Security Act.~~

10 ~~(d) (1) Section 202 (q) (7) (C) of the Social Security~~
 11 ~~Act is amended by striking out "because" and all that follows~~
 12 ~~and inserting in lieu thereof "because of the occurrence~~
 13 ~~of an event that terminated her or his entitlement to such~~
 14 ~~benefits,".~~

15 ~~(2) Section 202 (q) (3) (H) of such Act is amended~~
 16 ~~by inserting "for that month or" after "first entitled".~~

17 ~~ELIMINATION OF CERTAIN OPTIONAL PAYMENT PROCE-~~
 18 ~~DURES UNDER THE OLD AGE, SURVIVORS, AND DISA-~~
 19 ~~BILITY INSURANCE PROGRAM~~

20 ~~SEC. 702. (a) (1) The first sentence of section 202 (j)~~
 21 ~~(1) of the Social Security Act is amended by striking out~~
 22 ~~"An individual" and inserting "Subject to the limitations~~
 23 ~~contained in paragraph (4), an individual" in lieu thereof.~~

24 ~~(2) Section 202 (j) of such Act is further amended by~~
 25 ~~inserting at the end thereof the following new paragraph:~~

1 ~~"(4) (A) Except as provided in subparagraph (B), no~~
2 ~~individual shall be entitled to benefits under subsection (a),~~
3 ~~(b), (c), (e), or (f) for any month prior to the month~~
4 ~~in which he or she files an application for such benefits if the~~
5 ~~effect of such payment would be to reduce, pursuant to~~
6 ~~subsection (q), the monthly benefits to which such individual~~
7 ~~would otherwise be entitled.~~

8 ~~"(B) (i) If the individual applying for retroactive~~
9 ~~benefits is applying for such benefits under subsection (a),~~
10 ~~and there are one or more other persons who would, except~~
11 ~~for subparagraph (A), be entitled for any month, on the~~
12 ~~basis of the wages and self-employment income of such in-~~
13 ~~dividual and because of such individual's entitlement to such~~
14 ~~retroactive benefits, to retroactive benefits under subsection~~
15 ~~(b), (c), or (d) not subject to reduction under subsection~~
16 ~~(q), then subparagraph (A) shall not apply with respect~~
17 ~~to such month or any subsequent month.~~

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

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

10 ~~(3) Section 226 (h) of such Act is amended by adding~~
 11 ~~at the end thereof the following new paragraph:~~

12 ~~“(4) For the purposes of determining entitlement to~~
 13 ~~hospital insurance benefits under subsection (b) in the case~~
 14 ~~of an individual described in clause (iii) of subsection (b)~~
 15 ~~(2) (A), the entitlement of such individual to widow's or~~
 16 ~~widower's insurance benefits under section 202 (e) or (f)~~
 17 ~~by reason of a disability shall be deemed to be the entitle-~~
 18 ~~ment to such benefits that would result if such entitlement~~
 19 ~~were determined without regard to the provisions of sec-~~
 20 ~~tion 202 (j) (4).”.~~

21 ~~(b) The amendments made by this section shall be~~
 22 ~~effective with respect to applications for benefits under title~~
 23 ~~II of the Social Security Act filed on or after January 1,~~
 24 ~~1978.~~

1 ~~EARLY MAILING OF BENEFIT CHECKS WHERE REGULARLY~~

2 ~~SCHEDULED DELIVERY DAY FALLS ON SATURDAY,~~

3 ~~SUNDAY, OR LEGAL HOLIDAY~~

4 ~~SEC. 703. (a) Title VII of the Social Security Act is~~

5 ~~amended by adding at the end thereof the following new~~

6 ~~section:-~~

7 ~~"TIME FOR DELIVERY OF BENEFIT CHECKS WHEN REGULAR~~

8 ~~DELIVERY DAY FALLS ON A SATURDAY, SUNDAY, OR~~

9 ~~LEGAL HOLIDAY~~

10 ~~"SEC. 708. (a) If the day regularly designated for the~~

11 ~~delivery of benefit checks under title II or title XVI falls on a~~

12 ~~Saturday, Sunday, or legal public holiday (as defined in~~

13 ~~section 6103 of title 5, United States Code) in any month,~~

14 ~~the benefit checks which would otherwise be delivered on~~

15 ~~such day shall be mailed in time for delivery, and delivered,~~

16 ~~on the first day preceding such day which is not a Saturday,~~

17 ~~Sunday, or legal public holiday (as so defined), without~~

18 ~~regard to whether the delivery of such checks would as a~~

19 ~~result have to be made before the end of the month for which~~

20 ~~such checks are issued.~~

21 ~~"(b) If more than the correct amount of payment under~~

22 ~~title II or XVI is made to any individual as a result of the~~

23 ~~receipt of a benefit check pursuant to subsection (a) before~~

24 ~~the end of the month for which such check is issued, no action~~

1 ~~shall be taken (under section 204 or 1631 (b) or otherwise)~~
 2 ~~to recover such payment or the incorrect portion thereof."~~

3 ~~-(b) The amendment made by subsection (a) of this~~
 4 ~~section shall apply with respect to benefit checks the~~
 5 ~~regularly designated day for delivery of which occurs on or~~
 6 ~~after the thirtieth day after the date of the enactment of this~~
 7 ~~Act.~~

8 ~~DEFINITION~~

9 ~~SEC. 704. As used in this Act and the amendments to~~
 10 ~~the Social Security Act made by this Act, the term "Sec-~~
 11 ~~retary" means, unless the context otherwise requires, the~~
 12 ~~Secretary of Health, Education, and Welfare.~~

13 ~~TITLE VIII NATIONAL COMMISSION ON~~
 14 ~~SOCIAL SECURITY~~

15 ~~ESTABLISH A NATIONAL COMMISSION ON SOCIAL~~
 16 ~~SECURITY~~

17 ~~SEC. 801. (a) (1) There is hereby established a com-~~
 18 ~~mission to be known as the National Commission on Social~~
 19 ~~Security (hereinafter referred to as the "Commission").~~

20 ~~(2) (A) The Commission shall consist of--~~

21 ~~(i) five members to be appointed by the President,~~
 22 ~~by and with the advice and consent of the Senate, one of~~
 23 ~~whom shall, at the time of appointment, be designated as~~
 24 ~~Chairman of the Commission;~~

1 ~~(ii) two members to be appointed by the Speaker~~
2 ~~of the House of Representatives; and~~

3 ~~(iii) two members to be appointed by the Presi-~~
4 ~~dent pro tempore of the Senate.~~

5 ~~(B) At no time shall more than three of the members~~
6 ~~appointed by the President, one of the members appointed~~
7 ~~by the Speaker of the House of Representatives, or one of~~
8 ~~the members appointed by the President pro tempore of the~~
9 ~~Senate be members of the same political party.~~

10 ~~(C) The membership of the Commission shall consist~~
11 ~~of individuals who are of recognized standing and distinction~~
12 ~~and who possess the demonstrated capacity to discharge the~~
13 ~~duties imposed on the Commission, and shall include repre-~~
14 ~~sentatives of the private insurance industry and of recipients~~
15 ~~and potential recipients of benefits under the programs in-~~
16 ~~volved as well as individuals whose capacity is based on~~
17 ~~a special knowledge or expertise in those programs. No indi-~~
18 ~~vidual who is otherwise an officer or full-time employee of~~
19 ~~the United States shall serve as a member of the Commis-~~
20 ~~sion.~~

21 ~~(D) The Chairman of the Commission shall designate~~
22 ~~a member of the Commission to act as Vice Chairman of the~~
23 ~~Commission.~~

24 ~~(E) A majority of the members of the Commission shall~~

1 ~~constitute a quorum, but a lesser number may conduct hear-~~
2 ~~ings.~~

3 ~~(F) Members of the Commission shall be appointed for~~
4 ~~a term of two years.~~

5 ~~(G) A vacancy in the Commission shall not affect its~~
6 ~~powers, but shall be filled in the same manner as that herein~~
7 ~~provided for the appointment of the member first appointed~~
8 ~~to the vacant position.~~

9 ~~(3) Members of the Commission shall receive \$138 per~~
10 ~~diem while engaged in the actual performance of the duties~~
11 ~~vested in the Commission, plus reimbursement for travel,~~
12 ~~subsistence, and other necessary expenses incurred in the~~
13 ~~performance of such duties.~~

14 ~~(4) The Commission shall meet at the call of the Chair-~~
15 ~~man, or at the call of a majority of the members of the~~
16 ~~Commission; but meetings of the Commission shall be held~~
17 ~~not less frequently than once in each calendar month which~~
18 ~~begins after a majority of the authorized membership of the~~
19 ~~Commission has first been appointed.~~

20 ~~(b) (1) It shall be the duty and function of the Com-~~
21 ~~mission to conduct a continuing study, investigation, and~~
22 ~~review of—~~

23 ~~(A) the Federal old age, survivors, and disability~~
24 ~~insurance program established by title II of the Social~~
25 ~~Security Act; and~~

1 ~~(B) the health insurance programs established by~~
2 ~~title XVIII of such Act.~~

3 ~~(2) Such study, investigation, and review of such pro-~~
4 ~~grams shall include (but not be limited to) --~~

5 ~~(A) the fiscal status of the trust funds established~~
6 ~~for the financing of such programs and the adequacy of~~
7 ~~such trust funds to meet the immediate and long-range~~
8 ~~financing needs of such programs;~~

9 ~~(B) the scope of coverage, the adequacy of benefits~~
10 ~~including the measurement of an adequate retirement~~
11 ~~income, and the conditions of qualification for benefits~~
12 ~~provided by such programs including the application of~~
13 ~~the retirement income test to unearned as well as earned~~
14 ~~income;~~

15 ~~(C) the impact of such programs on, and their rela-~~
16 ~~tion to, public assistance programs, nongovernmental~~
17 ~~retirement and annuity programs, medical service de-~~
18 ~~livery systems, and national employment practices;~~

19 ~~(D) any inequities (whether attributable to provi-~~
20 ~~sions of law relating to the establishment and operation~~
21 ~~of such programs, to rules and regulations promulgated~~
22 ~~in connection with the administration of such programs,~~
23 ~~or to administrative practices and procedures employed~~
24 ~~in the carrying out of such programs) which affect sub-~~
25 ~~stantial numbers of individuals who are insured or other-~~

1 ~~wise eligible for benefits under such programs, including~~
2 ~~inequities and inequalities arising out of marital status,~~
3 ~~sex, or similar classifications or categories;~~

4 (E) ~~possible alternatives to the current Federal~~
5 ~~programs or particular aspects thereof, including but not~~
6 ~~limited to (i) a phasing out of the payroll tax with the~~
7 ~~financing of such programs being accomplished in some~~
8 ~~other manner (including general revenue funding and~~
9 ~~the retirement bond), (ii) the establishment of a system~~
10 ~~providing for mandatory participation in any or all of~~
11 ~~the Federal programs, (iii) the integration of such~~
12 ~~current Federal programs with private retirement pro-~~
13 ~~grams, and (iv) the establishment of a system permit-~~
14 ~~ting covered individuals a choice of public or private~~
15 ~~programs or both; and~~

16 (F) ~~methods for effectively implementing the rec-~~
17 ~~ommendations of the Commission.~~

18 (3) ~~In order to provide an effective opportunity for~~
19 ~~the general public to participate fully in the study, investi-~~
20 ~~gation, and review under this section, the Commission, in~~
21 ~~conducting such study, investigation, and review, shall hold~~
22 ~~public hearings in as many different geographical areas of~~
23 ~~the country as possible. The residents of each area where~~
24 ~~such a hearing is to be held shall be given reasonable advance~~

1 ~~notice of the hearing and an adequate opportunity to appear~~
2 ~~and express their views on the matters under consideration.~~

3 ~~(c) (1) No later than four months after the date on~~
4 ~~which a majority of the authorized membership of the Com-~~
5 ~~mission is initially appointed, the Commission shall submit~~
6 ~~to the President and the Congress a special report describ-~~
7 ~~ing the Commission's plans for conducting the study, investi-~~
8 ~~gation, and review under subsection (b), with particular~~
9 ~~reference to the scope of such study, investigation, and~~
10 ~~review and the methods proposed to be used in conducting it.~~

11 ~~(2) At or before the close of each of the first two~~
12 ~~years after the date on which a majority of the authorized~~
13 ~~membership of the Commission is initially appointed, the~~
14 ~~Commission shall submit to the President and the Congress~~
15 ~~an annual report on the study, investigation, and review~~
16 ~~under subsection (b), together with its recommendations~~
17 ~~with respect to the programs involved. The second such re-~~
18 ~~port shall constitute the final report of the Commission on~~
19 ~~such study, investigation, and review, and shall include its~~
20 ~~final recommendations; and upon the submission of such final~~
21 ~~report the Commission shall cease to exist.~~

22 ~~(d) (1) The Commission shall appoint an Executive~~

1 ~~Director of the Commission who shall be compensated at a~~
2 ~~rate fixed by the Commission, but which shall not exceed~~
3 ~~the rate established for level V of the Executive Schedule~~
4 ~~by title 5, United States Code.~~

5 ~~(2) In addition to the Executive Director, the Com-~~
6 ~~mission shall have the power to appoint and fix the com-~~
7 ~~pensation of such personnel as it deems advisable, in accord-~~
8 ~~ance with the provisions of title 5, United States Code,~~
9 ~~governing appointments to the competitive service, and~~
10 ~~the provisions of chapter 51 and subchapter III of chapter~~
11 ~~53 of such title, relating to classification and General Schedule~~
12 ~~pay rates.~~

13 ~~(e) In carrying out its duties under this section, the~~
14 ~~Commission, or any duly authorized committee thereof, is~~
15 ~~authorized to hold such hearings, sit and act at such times~~
16 ~~and places, and take such testimony, with respect to matters~~
17 ~~with respect to which it has a responsibility under this~~
18 ~~section, as the Commission or such committee may deem~~
19 ~~advisable. The Chairman of the Commission or any mem-~~
20 ~~ber authorized by him may administer oaths or affirmations~~
21 ~~to witnesses appearing before the Commission or before any~~
22 ~~committee thereof.~~

1 ~~(f) The Commission may secure directly from any~~
2 ~~department or agency of the United States such data and~~
3 ~~information as may be necessary to enable it to carry out~~
4 ~~its duties under this section. Upon request of the Chairman~~
5 ~~of the Commission, any such department or agency shall~~
6 ~~furnish any such data or information to the Commission.~~

7 ~~(g) The General Services Administration shall provide~~
8 ~~to the Commission, on a reimbursable basis, such administra-~~
9 ~~tive support services as the Commission may request.~~

10 ~~(h) There are hereby authorized to be appropriated~~
11 ~~such sums as may be necessary to carry out this section.~~

12 ~~(i) It shall be the duty of the Health Insurance Benefits~~
13 ~~Advisory Council (established by section 1867 of the Social~~
14 ~~Security Act) to provide timely notice to the Commission~~
15 ~~of any meeting thereof, and the Chairman of the Commis-~~
16 ~~sion (or his delegate) shall be entitled to attend any such~~
17 ~~meeting.~~

18 **SHORT TITLE; REFERENCE TO ACT**

19 *SECTION 1. (a) This Act (together with the following*
20 *table of contents) may be cited as the "Social Security*
21 *Amendments of 1977".*

1

TABLE OF CONTENTS

2

TITLE I—PROVISIONS RELATING TO THE OLD-AGE, SUR-
3 VIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—PROVISIONS RELATING TO FINANCING

Sec. 101. Application of employer excise tax to wages in excess of contribution and benefit base.

Sec. 102. Increase in contribution and benefit base for employees.

Sec. 103. Employment tax increase; increase in self-employment tax; reallocation among trust funds.

Sec. 104. Computation of primary insurance amount.

Sec. 105. Maximum benefits.

Sec. 106. Reduction in tax for certain public and nonprofit employees.

Sec. 107. Conforming changes.

Sec. 108. Effective date provisions.

PART B—GENERAL PROVISIONS

Sec. 121. Liberalization of earnings test.

Sec. 122. Repeal of earnings limitation for individuals age 70 and over.

Sec. 123. Widow's and widower's insurance benefits in cases of delayed retirement.

Sec. 124. Reduced benefits for spouses receiving Government pensions.

Sec. 125. Employees of members of related groups of corporations.

Sec. 126. Limitation on retroactive benefits.

Sec. 127. Delivery of benefit checks.

Sec. 128. Actuarial reduction of benefit increases to be applied as of time of original entitlement.

Sec. 129. International agreements with respect to social security benefits.

Sec. 130. Coverage of nonprofit organizations which failed to file waiver certificates.

Sec. 131. Disability benefits for blind persons.

Sec. 132. Monthly benefits payable under title II.

Sec. 133. Coverage for policemen and firemen in Mississippi.

Sec. 134. Coverage under divided retirement system for public employees in New Jersey.

Sec. 135. Cost-of-living increases.

4

TITLE II—MISCELLANEOUS

Sec. 201. Studies and reports.

Sec. 202. Appointment of hearing examiners.

Sec. 203. Report of Advisory Council on Social Security.

Sec. 204. Veterans' pension and compensation.

5

TITLE III—PROVISIONS RELATING TO CERTAIN STATE
6 WELFARE AND SERVICE PROGRAMS RECEIVING FED-
7 ERAL FINANCIAL ASSISTANCE

Sec. 301. Fiscal relief for States and political subdivisions thereof with respect to costs of welfare programs.

Sec. 302. Incentive adjustments for quality control in Federal financial participation in aid to families with dependent children programs.

Sec. 303. Access to wage information.

1 *TABLE OF CONTENTS—Continued*

2 *TITLE III—PROVISIONS RELATING TO CERTAIN STATE*
 3 *WELFARE AND SERVICE PROGRAMS RECEIVING FED-*
 4 *ERAL FINANCIAL ASSISTANCE—Continued*

Sec. 304. State demonstration projects.

Sec. 305. Earned income disregard.

*Sec. 306. Coverage under medicare of certain devices serving the same
or similar purpose as that performed by a wheelchair.*

Sec. 307. Federal Election Campaign Act Amendments.

5 *TITLE IV—COLLEGE TUITION TAX RELIEF*

Sec. 401. Expenses of higher education.

6 *TITLE V—ERRONEOUS SUPPLEMENTAL PAYMENTS*

Sec. 501. Authorization of appropriations.

7 *(b) Whenever in this Act an amendment is expressed*
 8 *in terms of an amendment to a section or other provision*
 9 *without specification of Act, the reference is to a section or*
 10 *other provision of the Social Security Act.*

11 *TITLE I—PROVISIONS RELATING TO THE*
 12 *OLD-AGE, SURVIVORS, AND DISABILITY*
 13 *INSURANCE PROGRAM*

14 *PART A—PROVISIONS RELATING TO FINANCING*

15 *APPLICATION OF EMPLOYER EXCISE TAX TO WAGES IN*
 16 *EXCESS OF CONTRIBUTION AND BENEFIT BASE*

17 *SEC. 101. (a) Section 230(c) is amended by adding at*
 18 *the end the following sentence: "For purposes of the employer*
 19 *tax liability under section 3111 of the Internal Revenue Code*
 20 *of 1954 and section 3221(b) of such Code in the case of rail-*
 21 *road employment, the contribution and benefit base referred*
 22 *to in paragraph (1) of section 3121(a) of the Internal*
 23 *Revenue Code of 1954 is deemed to be \$50,000 with respect*

1 to remuneration paid during calendar years 1979 through
2 1984; and with respect to calendar years after 1984 \$75,000
3 or (if higher) the contribution and benefit base as determined
4 under this section without regard to the provisions of this
5 sentence.”.

6 (b) Section 230(b) is amended by striking out “shall
7 be” in the matter preceding paragraph (1) and inserting in
8 lieu thereof “shall (subject to subsections (c) and (d)) be”.

9 INCREASE IN CONTRIBUTION AND BENEFIT BASE FOR
10 EMPLOYEES

11 SEC. 102. Section 230 is amended by adding at the end
12 the following new subsection:

13 “(d) Except as otherwise provided by the last sentence
14 of subsection (c) and except for purposes of determining
15 employer tax liability under section 3221(a) of the Internal
16 Revenue Code of 1954, for calendar years 1979, 1981,
17 1983, and 1985 the contribution and benefit base shall be
18 equal to the amount determined under subsection (b) but as
19 augmented for each such year (and carried forward there-
20 after) by \$600; and the amount of such base for any such
21 year as so increased shall be deemed to be the amount of such
22 base for such year for purposes of determining any increase,
23 under the preceding provisions of this section, in such base
24 for any succeeding year.”.

1 *EMPLOYMENT TAX INCREASE; INCREASE IN SELF-EMPLOY-*
2 *MENT TAX; REALLOCATION AMONG TRUST FUNDS.*

3 *SEC. 103. (a) TAX ON EMPLOYEES.—*

4 *(1) OLD-AGE, SURVIVORS, AND DISABILITY IN-*
5 *SURANCE.—Paragraphs (1) and (2) of section 3101*
6 *(a) of the Internal Revenue Code of 1954 are amended*
7 *to read as follows:*

8 *“(1) with respect to wages received during the cal-*
9 *endar years 1974 through 1977, the rate shall be 4.95*
10 *percent;*

11 *“(2) with respect to wages received during the cal-*
12 *endar year 1978, the rate shall be 5.05 percent;*

13 *“(3) with respect to wages received during the cal-*
14 *endar years 1979 and 1980, the rate shall be 5.085*
15 *percent;*

16 *“(4) with respect to wages received during the cal-*
17 *endar years 1981 through 1984, the rate shall be 5.40*
18 *percent except for calendar year 1981 it shall remain at*
19 *5.35 percent;*

20 *“(5) with respect to wages received during the cal-*
21 *endar years 1985 through 1989, the rate shall be 5.70*
22 *percent;*

23 *“(6) with respect to wages received during the cal-*

1 endar years 1990 through 1994, the rate shall be 6.15
2 percent;

3 “(7) with respect to wages received during the cal-
4 endar years 1995 through 2000, the rate shall be 6.70
5 percent;

6 “(8) with respect to wages received during the cal-
7 endar years 2001 through 2010, the rate shall be 7.30
8 percent; and

9 “(9) with respect to wages received after Decem-
10 ber 31, 2010, the rate shall be 7.80 percent.”.

11 (2) HOSPITAL INSURANCE.—Paragraphs (2)
12 through (4) of section 3101(b) of the Code are
13 amended to read as follows:

14 “(2) with respect to wages received during the
15 calendar year 1978, the rate shall be 1.00 percent;

16 “(3) with respect to wages received during the
17 calendar years 1979 and 1980, the rate shall be 1.05
18 percent;

19 “(4) with respect to wages received during the calen-
20 dar years 1981 through 1984, the rate shall be 1.25
21 percent;

22 “(5) with respect to wages received during the
23 calendar year 1985, the rate shall be 1.35 percent; and

24 “(6) with respect to wages received after Decem-
25 ber 31, 1985, the rate shall be 1.40 percent.”.

1 **(b) TAX ON EMPLOYERS.—**

2 **(1) OLD-AGE, SURVIVORS, AND DISABILITY IN-**
3 **SURANCE.—Paragraphs (1) and (2) of section 3111**

4 **(a) of the Code are amended to read as follows:**

5 “(1) with respect to wages paid during the cal-
6 endar years 1974 through 1977, the rate shall be 4.95
7 percent;

8 “(2) with respect to wages paid during the calen-
9 dar year 1978, the rate shall be 5.05 percent;

10 “(3) with respect to wages paid during the calendar
11 years 1979 and 1980, the rate shall be 5.085 percent;

12 “(4) with respect to wages paid during the calendar
13 years 1981 through 1984, the rate shall be 5.40 except
14 for calendar year 1981 it shall remain at 5.35 percent;

15 “(5) with respect to wages paid during the calendar
16 years 1985 through 1989, the rate shall be 5.70 percent;

17 “(6) with respect to wages paid during the calendar
18 years 1990 through 1994, the rate shall be 6.15 percent;

19 “(7) with respect to wages paid during the calendar
20 years 1995 through 2000, the rate shall be 6.70 percent;

21 “(8) with respect to wages paid during the calendar
22 years 2001 through 2010, the rate shall be 7.30 percent;

23 and

24 “(9) with respect to wages paid after December 31,
25 2010, the rate shall be 7.80 percent.”.

1 (2) *HOSPITAL INSURANCE.*—Paragraphs (2)
2 *through (4) of section 3111(b) of the Code are amend-*
3 *ed to read as follows:*

4 “(2) *with respect to wages paid during the calen-*
5 *dar year 1978, the rate shall be 1.00 percent;*

6 “(3) *with respect to wages paid during the calen-*
7 *dar years 1979 and 1980, the rate shall be 1.05*
8 *percent;*

9 “(4) *with respect to wages paid during the calendar*
10 *years 1981 through 1984, the rate shall be 1.25 per-*
11 *cent;*

12 “(5) *with respect to wages paid during the calendar*
13 *year 1985, the rate shall be 1.35 percent; and*

14 “(6) *with respect to wages paid after December 31,*
15 *1985, the rate shall be 1.40 percent.”.*

16 (c) *TAX ON SELF-EMPLOYMENT INCOME.*—

17 (1) *OLD-AGE, SURVIVORS, AND DISABILITY IN-*
18 *SURANCE.*—Subsection (a) of section 1401 of the Code
19 *is amended to read as follows:*

20 “(a) *OLD-AGE, SURVIVORS, AND DISABILITY INSUR-*
21 *ANCE.*—In addition to other taxes, there shall be imposed for
22 *each taxable year, on the self-employment income of every*
23 *individual, a tax as follows:*

24 “(1) *in the case of any taxable year beginning after*
25 *December 31, 1972, and before January 1, 1978, the*

1 *tax shall be equal to 7.00 percent of the amount of the*
2 *self-employment income for such taxable year;*

3 *“(2) in the case of any taxable year beginning*
4 *after December 31, 1977 and before January 1, 1979,*
5 *the tax shall be equal to 7.10 percent of the amount of*
6 *the self-employment income for such taxable year;*

7 *“(3) in the case of any taxable year beginning*
8 *after December 31, 1978 and before January 1, 1981,*
9 *the tax shall be equal to 7.05 percent of the amount of*
10 *the self-employment income for such taxable year;*

11 *“(4) in the case of any taxable year beginning*
12 *after December 31, 1980, and before January 1, 1985,*
13 *the tax shall be equal to 8.00 percent of the amount of*
14 *the self-employment income for such taxable year;*

15 *“(5) in the case of any taxable year beginning*
16 *after December 31, 1984, and before January 1, 1990,*
17 *the tax shall be equal to 8.55 except for 1981 it shall*
18 *remain at 8.50 percent of the amount of the self-*
19 *employment income for such taxable year;*

20 *“(6) in the case of any taxable year beginning after*
21 *December 31, 1989, and before January 1, 1995, the*
22 *tax shall be equal to 9.25 percent of the amount of the*
23 *self-employment income for such taxable year;*

24 *“(7) in the case of any taxable year beginning after*
25 *December 31, 1994, and before January 1, 2001, the tax*

1 shall be equal to 10.05 percent of the amount of the self-
2 employment income for such taxable year;

3 “(8) in the case of any taxable year beginning after
4 December 31, 2000, and before January 1, 2011, the tax
5 shall be equal to 10.95 percent of the amount of the self-
6 employment income for such taxable year; and

7 “(9) in the case of any taxable year beginning after
8 December 31, 2010, the tax shall be equal to 11.70 per-
9 cent of the amount of the self-employment income for such
10 taxable year.”.

11 (2) *HOSPITAL INSURANCE.*—Paragraphs (2)
12 through (4) of subsection (b) of section 1401 of the
13 Code are amended to read as follows:

14 “(2) in the case of any taxable year beginning
15 after December 31, 1977, and before January 1, 1979,
16 the tax shall be equal to 1.00 percent of the amount of
17 the self-employment income for such taxable year;

18 “(3) in the case of any taxable year beginning after
19 December 31, 1978, and before January 1, 1981, the
20 tax shall be equal to 1.05 percent of the amount of
21 the self-employment income for such taxable year;

22 “(4) in the case of any taxable year beginning after
23 December 31, 1980, and before January 1, 1985, the
24 tax shall be equal to 1.25 percent of the amount of the
25 self-employment income for such taxable year;

1 “(5) in the case of any taxable year beginning
2 after December 31, 1984, and before January 1, 1986,
3 the tax shall be equal to 1.35 percent of the amount of
4 the self-employment income for such taxable year; and

5 “(6) in the case of any taxable year beginning
6 after December 31, 1985, the tax shall be equal to
7 1.40 percent of the amount of the self-employment in-
8 come for such taxable year.”.

9 (d) *ALLOCATION TO DISABILITY INSURANCE TRUST*
10 *FUND.—*

11 (1) *ALLOCATION OF WAGES.—*Section 201(b)(1)
12 of the Social Security Act is amended by striking out
13 all that follows clause (F) and inserting in lieu thereof
14 the following: “(G) 1.550 per centum of the wages (as
15 so defined) paid after December 31, 1977, and before
16 January 1, 1979, and so reported, (H) 1.500 per cen-
17 tum of the wages (as so defined) paid after December 31,
18 1978, and before January 1, 1981, and so reported, (I)
19 1.650 per centum of the wages (as so defined) paid after
20 December 31, 1980, and before January 1, 1985, and
21 so reported, (J) 1.900 per centum of the wages (as so
22 defined) paid after December 31, 1984, and before
23 January 1, 1990, and so reported, (K) 2.100 per-
24 centum of the wages (as so defined) paid after Decem-
25 ber 31, 1989, and before January 1, 1995, (L) 2.400

1 *per centum of the amount of the wages (as so defined)*
2 *paid after December 31, 1994, and before January 1,*
3 *2001, (M) 2.700 per centum of the amount of the wages*
4 *(as so defined) paid after December 31, 2000, and before*
5 *January 1, 2011, and (N) 3.00 per centum of the*
6 *amount of the wages (as so defined) paid after Decem-*
7 *ber 31, 2010, and so reported, which wages shall be cer-*
8 *tified by the Secretary of Health, Education, and*
9 *Welfare on the basis of the records of wages established*
10 *and maintained by such Secretary in accordance with*
11 *such reports; and”.*

12 (2) *ALLOCATION OF SELF-EMPLOYMENT IN-*
13 *COME.—Section 201(b)(2) is amended by striking out*
14 *all that follows clause (F) and inserting in lieu thereof*
15 *the following: “(G) 1.090 per centum of the amount*
16 *of self-employment income (as so defined) so reported*
17 *for any taxable year beginning after December 31,*
18 *1977, and before January 1, 1979, (H) 1.040 per*
19 *centum of the amount of self-employment income (as*
20 *so defined) so reported for any taxable year beginning*
21 *after December 31, 1978, and before January 1, 1981,*
22 *(I) 1.2375 per centum of the amount of self-employ-*
23 *ment income (as so defined) so reported for any taxable*
24 *year beginning after December 31, 1980, and before*
25 *January 1, 1985, (J) 1.425 per centum of the amount*

1 of self-employment income (as so defined) so reported
 2 for any taxable year beginning after December 31,
 3 1984, and before January 1, 1990, and (K) 1.575 per
 4 centum of the amount of self-employment income (as so
 5 defined) so reported for any taxable year beginning after
 6 December 31, 1990, and before January 1, 1995, (L)
 7 1.800 per centum of the amount of self-employment in-
 8 come (as so defined) so reported for any taxable year
 9 beginning after December 31, 1994, and before Janu-
 10 ary 1, 2001, (M) 2.025 per centum of the amount of
 11 self-employment income (as so defined) so reported for
 12 any taxable year beginning after December 31, 2000,
 13 and before January 1, 2011, and (N) 2.250 per centum
 14 of the amount of self-employment income (as so de-
 15 fined) so reported for any taxable year beginning after
 16 December 31, 2010, which self-employment income
 17 shall be certified by the Secretary of Health, Education,
 18 and Welfare on the basis of the records of self-employ-
 19 ment income established and maintained by the Secre-
 20 tary of Health, Education, and Welfare in accordance
 21 with such returns."

22 **COMPUTATION OF PRIMARY INSURANCE AMOUNT**

23 **SEC. 104.** (a) Section 215(a) is amended to read as
 24 follows:

25 "(a) (1) (A) The primary insurance amount of an indi-

1 *vidual (except as otherwise provided in this section) is equal*
2 *to the sum of—*

3 “(i) 92 per centum of the individual’s average in-
4 *dexed monthly earnings (determined under subsection*
5 *(b)) up to the amount established for purposes of this*
6 *clause by subparagraph (B),*

7 “(ii) 33 per centum of the portion of the individual’s
8 *average indexed monthly earnings which exceeds the*
9 *amount established for purposes of clause (i) but does*
10 *not exceed the amount established for purposes of this*
11 *clause by subparagraph (B), and*

12 “(iii) 16 per centum of the individual’s average
13 *indexed monthly earnings to the extent that they exceed*
14 *the amount established for purposes of clause (ii),*
15 *rounded in accordance with subsection (g), and thereafter*
16 *increased as provided in subsection (i).*

17 “(B)(i) *In the case of an individual who becomes eli-*
18 *gible for old-age or disability insurance benefits, or who dies*
19 *before becoming so eligible, in the calendar year 1979, the*
20 *amounts established with respect to subparagraphs (A)(i)*
21 *and (A)(ii) are \$180 and \$1,075, respectively.*

22 “(ii) *In the case of an individual who becomes eligible*
23 *for old-age or disability insurance benefits, or who dies*
24 *before becoming so eligible, in a calendar year after 1979,*
25 *each of the amounts established with respect to subparagraphs*

1 *(A)(i) and (A)(ii) shall equal the product of the cor-*
 2 *responding amount established with respect to the calendar*
 3 *year 1979 under clause (i) of this subparagraph, and the*
 4 *quotient obtained by dividing—*

5 *“(I) the average of the wages (as defined in section*
 6 *230(e)) of all employees as reported to the Secretary of*
 7 *the Treasury for the second calendar year preceding the*
 8 *calendar year for which the determination is made, by*

9 *“(II) the average of the wages (as so defined) of*
 10 *all employees as reported to the Secretary of the Treasury*
 11 *for the calendar year 1977.*

12 *“(iii) The amounts established under clause (ii) shall*
 13 *be rounded to the nearest \$1.00, except that an amount that*
 14 *is a multiple of \$0.50 but not a multiple of \$1.00 shall be*
 15 *rounded to the next higher \$1.00.*

16 *“(C)(i) No primary insurance amount computed under*
 17 *subparagraph (A) may be less than—*

18 *“(I) the dollar amount set forth on the first line of*
 19 *column IV in the table of benefits contained in this sub-*
 20 *section as in effect in December 1978, rounded (if not*
 21 *a multiple of \$1) to the higher multiple of \$1, or*

22 *“(II) an amount equal to \$9 multiplied by the in-*
 23 *dividual's years of coverage in excess of 10,*

24 *whichever is greater. No increase under subsection (i) shall*

1 *apply to the dollar amount specified in subdivision (I) of*
2 *this clause.*

3 “(ii) *For purposes of the preceding clause, the term*
4 *‘years of coverage’ means the number (not exceeding 30)*
5 *equal to the sum of (I) the number (not exceeding 14 and*
6 *disregarding any fraction) determined by dividing (a) the*
7 *total of the wages credited to the individual (including wages*
8 *deemed to be paid prior to 1951 to such individual under*
9 *section 217, compensation under the Railroad Retirement Act*
10 *of 1937 prior to 1951 which is creditable to such individual*
11 *pursuant to this title, and wages deemed to be paid prior to*
12 *1951 to such individual under section 231) for years after*
13 *1936 and before 1951 by (b) \$900, plus (II) the number*
14 *equal to the number of years after 1950 each of which is a*
15 *computation base year (within the meaning of subsection (b)*
16 *(2)(B)(ii)) and in each of which he is credited with wages*
17 *(including wages deemed to be paid to such individual under*
18 *section 217, and compensation under the Railroad Retirement*
19 *Act of 1937 or the Railroad Retirement Act of 1974 which is*
20 *creditable to such individual pursuant to this title, and wages*
21 *deemed to be paid to such individual under section 229) and*
22 *self-employment income of not less than 25 percent of the*
23 *maximum amount which, pursuant to subsection (e), may*
24 *be counted for such year.*

25 “(D) *In each calendar year after 1978 the Secretary*

1 shall publish in the Federal Register, on or before Novem-
2 ber 1, the formula for computing benefits under this para-
3 graph and for adjusting wages and self-employment income
4 under subsection (b)(3) in the case of an individual who
5 becomes eligible for an old-age insurance benefit, or (if
6 earlier) becomes eligible for a disability insurance benefit
7 or dies, in the following year, and the average wages (as
8 described by subclause (I) of subparagraph (B)(ii)) on
9 which that formula is based. With the initial publication
10 required by this subparagraph, the Secretary shall also
11 publish in the Federal Register the average wages (as so
12 described) for each year after calendar year 1950.

13 “(2)(A) A year shall not be counted as a year of an
14 individual’s death or eligibility for purposes of this subsec-
15 tion or subsection (i) in any case where such individual
16 was entitled to a disability insurance benefit for any of the 12
17 months immediately preceding the month of such death or
18 eligibility (but there shall be counted instead the year of the
19 individual’s eligibility for the disability insurance benefit to
20 which he was entitled in such 12-month period).

21 “(B) In the case of an individual who was entitled
22 to a disability insurance benefit for any of the 12 months
23 before the month in which he became entitled to an old-age
24 insurance benefit, became reentitled to a disability insurance
25 benefit, or died, the primary insurance amount for deter-

1 *mining any benefit attributable to that entitlement, reentitle-*
2 *ment, or death is the greater of—*

3 “(i) the primary insurance amount upon which
4 that disability insurance benefit was based, increased in
5 the case of the individual who so became entitled, became
6 reentitled, or died, by each general benefit increase (as
7 defined in subsection (i)(3)) and each increase pro-
8 vided under subsection (i)(2) that would have applied
9 to that primary insurance amount had the individual
10 remained entitled to that disability insurance benefit
11 until the month in which he became entitled, reentitled,
12 or died, or

13 “(ii) the amount computed under paragraph (1)
14 (C).

15 “(C) In the case of an individual who was entitled to a
16 disability insurance benefit for any month, and with respect
17 to whom a primary insurance amount is required to be com-
18 puted at any time after the close of the period of the individ-
19 ual's disability (whether because of that individual's subse-
20 quent entitlement to old-age insurance benefits, or to a dis-
21 ability insurance benefit based upon a subsequent period of
22 disability, or death), the primary insurance amount so com-
23 puted may in no case be less than the primary insurance
24 amount on the basis of which he most recently received a dis-
25 ability insurance benefit.

1 “(3)(A) Except as otherwise provided by paragraph
2 (4), paragraph (1) applies to—

3 “(i) an individual who was not eligible for an old-
4 age insurance benefit prior to January 1979 and who in
5 that or any succeeding month—

6 “(I) becomes eligible for that benefit,

7 “(II) becomes eligible for a disability insurance
8 benefit, or

9 “(III) dies, and

10 “(ii) an individual described in clause (i) who
11 was eligible for a disability insurance benefit for a month
12 prior to January 1979, (except to the extent that para-
13 graph (4)(A) otherwise provides).

14 “(B) For the purposes of this title, an individual is
15 deemed to be eligible for an old-age insurance benefit begin-
16 ning in the month in which he attains age 62, or for a dis-
17 ability insurance benefit for months beginning in the month in
18 which a period of disability began as described in section
19 216(i)(2)(C), unless less than 12 months have elapsed
20 since the termination of a prior period of disability in which
21 case the month of eligibility with respect to the prior period
22 of disability shall be considered the month of eligibility.

23 “(4) Paragraph (1) does not apply to the computa-
24 tion or recomputation of a primary insurance amount for—

25 “(A) an individual who was eligible for a dis-

1 *ability insurance benefit for a month prior to January*
 2 *1979 unless, prior to the month in which there occurs*
 3 *the event described in clause (i)(I), (i)(II), or (i)*
 4 *(III) of paragraph (3)(A), there occurs a period of*
 5 *at least 12 consecutive months for which he was not*
 6 *entitled to a disability insurance benefit, or*

7 *“(B)(i) an individual who had wages or self-*
 8 *employment income credited for a year before 1979 and*
 9 *who was not eligible for an old-age or disability insur-*
 10 *ance benefit, or did not die, prior to January 1979, if*
 11 *in the year for which the computation or recomputation*
 12 *would be made the individual's primary insurance*
 13 *amount would be greater if computed or recomputed—*

14 *“(I) under section 215(a), as in effect in*
 15 *December 1978, in the case of an individual who*
 16 *becomes eligible for an old-age insurance benefit*
 17 *prior to 1984, or*

18 *“(II) as provided by section 215(d), in the*
 19 *case of an individual to whom such section applies.*

20 *“(ii) For purposes of determining under clause (i)*
 21 *which amount is the greater—*

22 *“(I) the table of benefits in effect in December*
 23 *1978 shall apply without regard to any increase in*
 24 *that table which becomes effective (in accordance with*

1 *subsection (i)(4)) for years after 1978 except as*
 2 *provided in subsection (i)(2)(A)(iii), and*

3 *“(II) the individual’s average monthly wage*
 4 *shall be computed as provided by subsection (b)(4).*

5 *“(5) With respect to computing the primary insurance*
 6 *amount, after December 1978, of an individual to whom*
 7 *paragraph (1) does not apply (except in the case of an*
 8 *individual described in paragraph (4)(B)), this section as*
 9 *in effect in December 1978 remains in effect.”.*

10 *(b) Section 215(b) (except the caption thereof) is*
 11 *amended to read as follows:*

12 *“(b)(1) The amount of an individual’s average indexed*
 13 *monthly earnings is equal to the quotient obtained by*
 14 *dividing—*

15 *“(A) the total (after adjustment under paragraph*
 16 *(3)) of his wages paid in and self-employment income*
 17 *credited to his benefit computation years (determined*
 18 *under paragraph (2)), by*

19 *“(B) the number of months in those years.*

20 *“(2)(A) The number of an individual’s benefit com-*
 21 *putation years equals the number of elapsed years, reduced*
 22 *by five, except that the number of an individual’s benefit com-*
 23 *putation years may not be less than two.*

24 *“(B) For purposes of this subsection—*

1 “(i) the term ‘benefit computation years’ means, in
2 the case of any individual, those computation base years,
3 equal in number to the number determined under sub-
4 paragraph (A) of this paragraph, for which the total of
5 the individual’s wages and self-employment income, after
6 adjustment under paragraph (3), is the largest;

7 “(ii) the term ‘computation base years’ means, in
8 the case of any individual, the calendar years after 1950
9 and prior to the earlier of—

10 “(I) in the case of an individual entitled to
11 old-age insurance benefits, the year in which oc-
12 curred (whether by reason of section 202(j)(1) or
13 otherwise) the first month of that entitlement;

14 “(II) in the case of an individual who has died,
15 the year succeeding the year of his death;
16 except that such term excludes any calendar year entirely
17 included in a period of disability; and

18 “(iii) the term ‘number of elapsed years’ means, in
19 the case of any individual, except as otherwise provided
20 by section 104(j) of the Social Security Amendments of
21 1972 (Public Law 92-603), the number of calendar
22 years after 1950 (or, if later, the year in which the indi-
23 vidual attained age 21) and before the year in which the
24 individual died, or, if it occurred after 1960, the year in
25 which he attained age 62; except that such term excludes

1 *any calendar year any part of which is included in a*
2 *period of disability.*

3 “(3)(A) *Except as provided by subparagraph (B),*
4 *the wages paid in and self-employment income credited to*
5 *each of an individual's computation base years for purposes*
6 *of the selection therefrom of benefit computation years under*
7 *paragraph (2) is deemed equal to the product of—*

8 “(i) *the wages and self-employment income credited*
9 *to such year, and*

10 “(ii) *the quotient obtained by dividing—*

11 “(I) *the average of the wages (as defined in*
12 *section 230(e)) of all employees as reported to the*
13 *Secretary of the Treasury for the second calendar*
14 *year (after 1976) preceding the earliest of the year*
15 *of the individual's death, eligibility for an old-age*
16 *insurance benefit, or eligibility for a disability insur-*
17 *ance benefit (except that the year in which the indi-*
18 *vidual dies, or becomes eligible, shall not be con-*
19 *sidered as such year if the individual was entitled*
20 *to disability insurance benefits for any month in the*
21 *12-month period immediately preceding such death*
22 *or eligibility but there shall be counted instead the*
23 *year of the individual's eligibility for the disability*
24 *insurance benefit to which he was entitled in such*
25 *12-month period), by*

1 “(II) the average of the wages (as so defined)
2 of all employees as reported to the Secretary of the
3 Treasury for the computation base year for which
4 the determination is made.

5 “(B) Wages paid in or self-employment income credited
6 to an individual's computation base year—

7 “(i) which occurs after the second calendar year
8 specified in subparagraph (A)(ii)(I), where applicable,
9 or

10 “(ii) in a year which under subsection (f)(2)(C)
11 is considered to be the last year of the period specified
12 in subsection (b)(2)(B)(ii),
13 are available for use in determining an individual's benefit
14 computation years, but without applying subparagraph (A)
15 of this paragraph.

16 “(4) In determining the average monthly wage of an
17 individual whose primary insurance amount is computed
18 (after 1978) under section 215(a) or 215(d) as in effect
19 (except with respect to the table contained therein) in Decem-
20 ber 1978, by reason of subsection (a)(4)(B), this subsection
21 as in effect in December 1978 remains in effect, except that
22 paragraph (2)(C) (as then in effect) is deemed to provide
23 that ‘computation base years’ include only calendar years in
24 the period after 1950 (or 1936, if applicable) and prior to
25 the year in which occurred the first month for which the indi-

1 vidual was eligible (as defined in subsection (a)(3)(B) of
 2 this section as in effect in January 1979) for an old-age or
 3 disability insurance benefit, or died. Any calendar year all of
 4 which is included in a period of disability shall not be in-
 5 cluded as a computation base year.”.

6 (c) Section 215(c) (except the caption thereto) is
 7 amended to read as follows:

8 “(c) This subsection, as in effect in December 1978,
 9 shall remain in effect with respect to an individual to whom
 10 subsection (a)(1) does not apply by reason of the indi-
 11 vidual’s eligibility for an old-age insurance or disability in-
 12 surance benefit, or the individual’s death, prior to 1979.”.

13 (d)(1) The matter in section 215(d) which precedes
 14 subparagraph (C) of paragraph (1) is amended to read as
 15 follows:

16 “(d)(1) For the purpose of column I of the table
 17 appearing in subsection (a) of this section, as that sub-
 18 section was in effect in December 1977, an individual’s pri-
 19 mary insurance benefit shall be computed as follows:

20 “(A) The individual’s average monthly wage shall
 21 be determined as provided in subsection (b) of this sec-
 22 tion, as in effect in December 1977 (but without regard
 23 to paragraph (4) thereof), except that for purposes of
 24 paragraphs (2)(C) and (3) of that subsection (as so
 25 in effect), 1936 shall be used instead of 1950.

1 “(B) For purposes of subparagraphs (B) and (C)
2 of subsection (b)(2) (as so in effect), the total wages
3 prior to 1951 (as defined in subparagraph (C) of this
4 paragraph) of an individual who attained age 21 after
5 1936 and prior to 1951 shall be divided by the number
6 of years (hereinafter in this subparagraph referred to
7 as the ‘divisor’) elapsing after the year in which the
8 individual attained age 21 and prior to the earlier of
9 1951 or the year of the individual’s death. The quotient
10 so obtained is deemed to be the individual’s wages
11 credited for each of the years included in the divisor
12 except—

13 “(i) if the quotient exceeds \$3,000, only \$3,000
14 is deemed to be the individual’s wages for each of the
15 years included in the divisor, and the remainder of
16 the individual’s total wages prior to 1951 (I) if
17 less than \$3,000, is deemed credited to the year
18 immediately preceding the earliest year used in the
19 divisor, or (II) if \$3,000 or more, is deemed
20 credited, in \$3,000 increments, to the year in which
21 the individual attained age 21 and to each year
22 consecutively preceding that year, with any re-
23 mainder less than \$3,000 credited to the year prior
24 to the earliest year to which a full \$3,000 incre-
25 ment was credited; and

1 “(ii) no more than \$42,000 may be taken
2 into account, for purposes of this subparagraph, as
3 total wages after 1936 and prior to 1951.”.

4 (2) Section 215(d)(1)(D) is amended to read as
5 follows:

6 “(D) The individual’s primary insurance benefits
7 shall be 40 per centum of the first \$50 of his average
8 monthly wage as computed under this subsection, plus
9 10 per centum of the next \$200 of his average monthly
10 wage; increased by 1 per centum for each increment
11 year. The number of increment years is the number,
12 not more than 14 nor less than 4, that is equal to the
13 individual’s total wages prior to 1951 divided by \$1,650
14 (disregarding any fraction).”.

15 (3) Section 215(d)(3) is amended (A) by striking
16 subparagraphs (A) and (B), and (B) by striking the dash
17 after “individual” and inserting instead the text of the
18 stricken subparagraph (B).

19 (4) Section 215(d) is amended by adding at the end
20 the following new paragraph:

21 “(4) The provisions of this subsection as in effect in
22 December 1977 shall be applicable to individuals who be-
23 come eligible for old-age insurance or disability insurance
24 benefits or die prior to 1978.”.

25 (e) Section 215(e) is amended—

1 (1) by striking out "average monthly wage" each
2 time it appears and inserting instead "average indexed
3 monthly earnings or, in the case of an individual whose
4 primary insurance amount is computed under section
5 215(a) as in effect prior to January 1979, average
6 monthly wage," and

7 (2) by inserting immediately before "of (A)" in
8 paragraph (1) the following: "(before the application,
9 in the case of average indexed monthly earnings, of sub-
10 section (b)(3)(A))".

11 (f)(1) Section 215(f)(2) is amended to read as
12 follows:

13 “(2)(A) If an individual has wages or self-employment
14 income for a year after 1978 for any part of which he is
15 entitled to old-age or disability insurance benefits, the Secre-
16 tary shall, at such time or times and within such period as he
17 may by regulation prescribe, recompute the individual's pri-
18 mary insurance amount for that year.

19 “(B) For the purpose of applying subparagraph (A) of
20 subsection (a)(1) to the average indexed monthly earnings
21 of an individual to whom that subsection applies and who
22 receives a recomputation under this paragraph, there shall be
23 used, in lieu of the amounts of those earnings established by
24 clauses (i) and (ii) of subparagraph (B) of that subsection,
25 the amounts that were (or, in the case of an individual de-

1 scribed in subsection (a)(4)(B), would have been) used in
2 the computation of the individual's primary insurance
3 amount prior to the application of this subsection.

4 “(C) A recomputation under this paragraph shall be
5 made as provided in subsection (a)(1) as though the year
6 with respect to which it is made is the last year of the period
7 specified in subsection (b)(2)(B)(ii), and subsection (b)
8 (3)(A) shall apply with respect to any such recomputation
9 as it applied in the computation of such individual's primary
10 insurance amount prior to the application of this subsection.

11 “(D) A recomputation under this paragraph with re-
12 spect to any year shall be effective—

13 “(i) in the case of an individual who did not die in
14 that year, for monthly benefits beginning with benefits
15 for January of the following year; or

16 “(ii) in the case of an individual who died in that
17 year, for monthly benefits beginning with benefits for
18 the month in which he died.”.

19 (2) Section 215(f)(3) is repealed.

20 (3) Section 215(f)(4) is amended to read as follows:

21 “(4) A recomputation is effective under this subsection
22 only if it results in a primary insurance amount that is at
23 least \$1.00 higher than the previous primary insurance
24 amount.”.

1 (4) *There is added at the end of section 215(f) the*
 2 *following new paragraph:*

3 “(7) *This subsection, as in effect in December 1978,*
 4 *shall continue to apply to the recomputation of a primary*
 5 *insurance amount computed under subsection (a) or (d)*
 6 *as in effect (without regard to the table contained in subsec-*
 7 *tion (a)) in that month, and, where appropriate, under sub-*
 8 *section (d) as in effect in December 1977. For purposes of re-*
 9 *computing the primary insurance amount under subsection*
 10 *(a) or (d) (as thus in effect) with respect to an individual to*
 11 *whom those subsections apply by reason of paragraph (B) of*
 12 *subsection (a)(4) as in effect after December 1978, no re-*
 13 *muneration shall be taken into account for the year in which*
 14 *the individual initially became eligible for an old-age insur-*
 15 *ance or disability insurance benefit or died, or for any year*
 16 *thereafter.”.*

17 (g)(1) *Section 215(i)(2)(A)(ii) is amended to read*
 18 *as follows:*

19 “(ii) *If the Secretary determines that the base quarter*
 20 *in any year is a cost-of-living computation quarter, he shall,*
 21 *effective with the month of June of that year as provided in*
 22 *subparagraph (B), increase—*

23 “(I) *the benefit amount of each individual who for*
 24 *that month is entitled to benefits under section 227*
 25 *or 228,*

1 “(II) the primary insurance amount of each other
2 individual on which benefit entitlement is based under
3 this title, and

4 “(III) the total monthly benefits based on each
5 primary insurance amount and permitted under sec-
6 tion 203 (which shall be increased, unless otherwise
7 so increased under another provision of this title, at
8 the same time as the primary insurance amount on
9 which they are based) or, in the case of a primary insur-
10 ance amount computed under subsection (a) as in effect
11 (without regard to the table contained therein) prior
12 to January 1979, the amount to which the beneficiaries
13 may be entitled under section 203 as in effect in Decem-
14 ber 1978, except as provided by section 203(a) (6)
15 and (7) as in effect after December 1978,

16 but shall not increase a primary insurance amount that is
17 computed under subparagraph (C)(i)(III) of subsection
18 (a)(1) or a primary insurance amount that was computed
19 prior to January 1979 under subsection (a)(3) as then in
20 effect. The increase shall be derived by multiplying each of
21 the amounts described in clauses (I), (II), and (III)
22 (including each of those primary insurance amounts or ben-
23 efit amounts as previously increased under this subpara-
24 graph) by the same percentage (rounded to the nearest one-
25 tenth of 1 percent) as the percentage by which the Consumer

1 *Price Index for that cost-of-living computation quarter ex-*
2 *ceeds that Index for the most recent prior calendar quarter*
3 *which was a base quarter under paragraph (1)(A)(ii) or, if*
4 *later, the most recent cost-of-living computation quarter*
5 *under paragraph (1)(B). Any amount so increased that*
6 *is not a multiple of \$0.10 shall be increased to the next*
7 *higher multiple of \$0.10.”.*

8 (2) *Section 215(i)(2)(A) is amended by adding at*
9 *the end the following new clause:*

10 “(iii) *In the case of an individual who becomes eligible*
11 *for an old-age insurance or disability insurance benefit, or*
12 *dies prior to becoming so eligible, in a year in which there*
13 *occurs an increase provided in clause (ii), the individual's*
14 *primary insurance amount (without regard to the time of*
15 *entitlement to that benefit) shall be increased (unless other-*
16 *wise so increased under another provision of this title)*
17 *by the amount of that increase and subsequent applicable*
18 *increases, but only with respect to benefits payable for months*
19 *after May of that year.”.*

20 (3) *Section 215(i)(2)(D) is amended by striking out*
21 *all that follows the first sentence.*

22 (4) *There is added at the end of section 215(i) the*
23 *following new paragraph:*

24 “(4) *This subsection, as in effect in December 1978,*
25 *shall continue to apply to subsections (a) and (d), as then*

1 in effect, with respect to computing the primary insurance
2 amount of an individual to whom subsection (a), as in
3 effect after December 1978, does not apply (including an
4 individual to whom subsection (a) does not apply in any
5 year by reason of paragraph (4)(B) of that subsection,
6 but the application of this subsection in such cases shall be
7 modified by the application of subclause (I) of clause (ii) of
8 such paragraph (4)(B)). For purposes of computing pri-
9 mary insurance amounts and maximum family benefits (other
10 than primary insurance amounts and maximum family bene-
11 fits for individuals to whom such paragraph (4)(B) ap-
12 plies), the Secretary shall publish in the Federal Register
13 revisions of the table of benefits contained in subsection (a),
14 as in effect in December 1978, as required by paragraph (2)
15 (D) of this subsection, as then in effect.”.

16 (h)(1) Section 230 of the Social Security Act is
17 amended by adding after subsection (d) (as added by sec-
18 tion 102 of this Act) the following new subsection:

19 “(e) For purposes of subsection (b), the term ‘wages’
20 for years after 1976 shall have the meaning assigned to such
21 term by section 3401(a) of the Internal Revenue Code of
22 1954 and section 3121(a) of such Code (but without regard
23 to the operation of section 230 of the Social Security Act as
24 specified therein) to the extent that they are excluded from
25 such section 3401(a). For years before 1977, the term

1 *'wages' shall be determined under regulations to be promul-*
 2 *gated by the Secretary.'".*

3 *(2) The amendment made by paragraph (1) shall be*
 4 *applicable to determinations of the Secretary of Health, Edu-*
 5 *cation, and Welfare, under section 230 of the Social Secu-*
 6 *rity Act effective in the case of calendar years after 1978.*

7 *MAXIMUM BENEFITS*

8 *SEC. 105. (a) The matter in section 203(a) preceding*
 9 *paragraph (2) thereof is amended to read as follows:*

10 *"(a)(1) In the case of an individual whose primary*
 11 *insurance amount has been computed or recomputed under*
 12 *section 215(a) (1) or (4), or 215(d), as in effect after*
 13 *December 1978, the total monthly benefits to which benefi-*
 14 *ciaries may be entitled under section 202 or 223 for a month*
 15 *on the basis of the wages and self-employment income of*
 16 *that insured individual shall, except as provided by para-*
 17 *graph (3), (but prior to any increases resulting from the*
 18 *application of paragraph (2)(A)(ii)(III) of section*
 19 *215(i)) be reduced so as not to exceed—*

20 *"(A) 150 percent of the individual's primary in-*
 21 *surance amount up to the amount that is established with*
 22 *respect to this subparagraph by paragraph (2),*

23 *"(B) 272 percent of the individual's primary insur-*
 24 *ance amount that exceeds the amount to which subpara-*
 25 *graph (A) applies but does not exceed an amount*

1 *established with respect to this subparagraph by para-*
2 *graph (2),*

3 “(C) 134 percent of the individual's primary in-
4 *surance amount that exceeds the amount to which sub-*
5 *paragraph (B) applies but does not exceed an amount*
6 *established with respect to this subparagraph by para-*
7 *graph (2), and*

8 “(D) 175 percent of the individual's primary
9 *insurance amount that exceeds the amount established*
10 *by paragraph (2) with respect to subparagraph (C).*

11 *Any such amount that is not a multiple of \$0.10 shall be*
12 *increased to the next higher multiple of \$0.10.*

13 “(2)(A) *For individuals who become eligible for old-*
14 *age or disability insurance benefits or who die in the calendar*
15 *year 1979 the amounts established with respect to subpara-*
16 *graphs (A), (B), and (C) of paragraph (1) are \$236,*
17 *\$342, and \$449, respectively (not counting as the year of*
18 *death or eligibility for purposes of this paragraph the year of*
19 *the individual's death or eligibility if the individual was en-*
20 *titled to a disability insurance benefit for any of the twelve*
21 *months immediately preceding the month of such death or*
22 *eligibility, but counting instead, the year of eligibility for*
23 *such disability insurance benefit).*

24 “(B) *For individuals who become eligible for such bene-*
25 *fits or who die in a calendar year after 1979 the amount*

1 *established with respect to each of those subparagraphs shall*
2 *equal the product of the corresponding amount established for*
3 *1979 by subparagraph (A) of this paragraph and the quo-*
4 *tient obtained under subparagraph (B) (ii) of section 215(a)*
5 *(1). Such product shall be rounded in like manner as is*
6 *prescribed by section 215(a)(1)(B)(iii).*

7 *“(C) In each calendar year after 1978 the Secretary*
8 *shall publish in the Federal Register, on or before Novem-*
9 *ber 1, the formula applicable under this subsection to individ-*
10 *uals who become eligible for old-age insurance benefits, become*
11 *disabled, or die in the following calendar year.*

12 *“(3)(A) When an individual to whom this subsection*
13 *applies would (but for the provisions of section 202(k)(2)*
14 *(A)) be entitled to child’s insurance benefits for a month on*
15 *the basis of the wages and self-employment income of one*
16 *or more other individuals, the total of benefits shall not be*
17 *reduced under this subsection to less than the smaller of—*

18 *“(i) the sum of the maximum amounts of benefits*
19 *payable on the basis of the wages and self-employment*
20 *income of all of those individuals, or*

21 *“(ii) an amount equal to the product of 1.75 and*
22 *the primary insurance amount that would be computed*
23 *under section 215(a)(1) for that month with respect*
24 *to average indexed monthly earnings equal to one-*
25 *twelfth of the contribution and benefit base applicable*

1 to employees and the self-employed determined for that
2 year under section 230.”.

3 (b) Paragraph (2) of section 203(a) (prior to the
4 amendment made by subsection (a) of this section) is re-
5 designated as subparagraph (B) (of paragraph (3)), its
6 three lettered subparagraphs are respectively redesignated
7 as clauses (i), (ii), and (iii), the word “paragraph” in
8 the redesignated clause (i) is stricken and the word “sub-
9 paragraph” is inserted in lieu thereof, its initial word is
10 stricken and “When” inserted instead, and “, or” as it
11 appears at the end thereof is stricken and a period inserted
12 instead.

13 (c) The matter following clause (iii) of the redesignated
14 subparagraph (B) is amended to read as follows: “but
15 in any such case (I) subparagraph (A) of this paragraph
16 shall not be applied to such total of benefits after the applica-
17 tion of clause (ii) or (iii), and (II) if section 202(k)(2)
18 (A) was applicable in the case of any such benefit for a
19 month, and ceases to apply for a month after such month, the
20 provisions of clause (ii) or (iii) shall be applied, for and
21 after the month in which section 202(k)(2)(A) ceases to
22 apply, as though subparagraph (A) of this paragraph had
23 not been applicable to such total of benefits for the last month
24 for which clause (ii) or (iii) was applicable.”.

25 (d) Paragraph (3) of section 203(a) (prior to the

1 *amendments made by the preceding provisions of this sec-*
2 *tion) is redesignated as subparagraph (C) (of paragraph*
3 *(3)), and its initial word is stricken and "When" inserted*
4 *instead.*

5 *(e) The matter in section 203(a) that follows para-*
6 *graph (3) (prior to the amendments made by the preceding*
7 *provisions of this section) and precedes paragraph (4)*
8 *(prior to the amendments made by the preceding provisions*
9 *of this section) is stricken and there is inserted instead the*
10 *following:*

11 *"(4) In any case in which benefits are reduced pursuant*
12 *to the preceding provisions of this subsection, the reduction*
13 *shall be made after any deductions under this section and*
14 *after any deductions under section 222(b). Whenever a re-*
15 *duction is made under this subsection in the total of monthly*
16 *benefits to which individuals are entitled for any month on*
17 *the basis of the wages and self-employment income of an*
18 *insured individual, each such benefit other than the old-age*
19 *or disability insurance benefit shall be proportionately de-*
20 *creased."*

21 *(e) Paragraph (4) of section 203(a) (prior to the*
22 *amendments made by the preceding provisions of this sec-*
23 *tion) is redesignated as paragraph (5), its initial word is*
24 *stricken and "Notwithstanding" inserted instead, and ", or"*
25 *at the end thereof is stricken and a period inserted instead.*

1 Subparagraph (A) of such paragraph (4) is amended by
2 striking out "and section 202(q)" therein. The matter fol-
3 lowing subparagraph (B) of such paragraph and preceding
4 the next numbered paragraph is a portion of the redesignated
5 paragraph (5), and shall be indented accordingly.

6 (f) Paragraph (5) of section 203(a) (prior to the
7 amendments made by the preceding provisions of this sec-
8 tion) is repealed, except with respect to an individual who
9 became eligible for a monthly benefit (as defined in section
10 215(a)(2)(A)) or died prior to 1979.

11 (g) Following paragraph (5) of section 203(a) (as
12 amended by this section) there are added the following new
13 paragraphs:

14 "(6) In the case of any individual who is entitled for
15 any month to benefits based upon the primary insurance
16 amounts of two or more insured individuals, one or more
17 of which primary insurance amounts were determined under
18 section 215(a) or 215(d) as in effect (without regard to
19 the table contained therein) prior to January 1979 and one
20 or more of which primary insurance amounts were deter-
21 mined under section 215(a) (1) or (4), or 215(d), as in
22 effect after December 1978, the total benefits payable to that
23 individual and all other individuals entitled to benefits for that
24 month based upon those primary insurance amounts shall
25 be reduced to an amount equal to the product of 1.75

1 *and the primary insurance amount that would be computed*
 2 *under section 215(a)(1) for that month with respect to*
 3 *average indexed monthly earnings equal to one-twelfth of*
 4 *the contribution and benefit base determined under section*
 5 *230 for the year in which that month occurs.*

6 “(7) Subject to the preceding paragraph, this subsec-
 7 tion, as in effect in December 1978, shall remain in effect
 8 with respect to a primary insurance amount computed under
 9 section 215 (a) or (d), as in effect (without regard to the
 10 table contained therein) in December 1978, except that a
 11 primary insurance amount so computed with respect to an
 12 individual who first becomes eligible for an old-age or dis-
 13 ability insurance benefit (as defined in section 215(a)
 14 (2)(A)) or dies, after December 1978, shall, instead,
 15 be governed by this section, as in effect after December
 16 1978.”.

17 *REDUCTION IN TAX FOR CERTAIN PUBLIC AND NONPROFIT*

18 *EMPLOYEES*

19 *SEC. 106. (a) Section 218(c) of the Social Security*
 20 *Act is amended—*

21 (1) by inserting “, subject to the provisions of para-
 22 graphs (3), (4), and (5),” after “will pay” in para-
 23 graph (1)(A) thereof; and

24 (2) by adding at the end thereof the following new
 25 paragraphs:

1 “(3) For purposes of paragraph (1)(A) in determin-
2 ing the amount of taxes which would be imposed—

3 “(A) for calendar year 1979, the rates of tax under
4 such section 3111 and the contribution and benefit base
5 (as determined under section 230) which would have
6 applied for calendar year 1979 under the law in effect
7 immediately before the enactment of the Social Security
8 Amendments of 1977 shall be applied; and

9 “(B) for calendar years 1980 and thereafter, the
10 amount determined under paragraph (1)(A) as the
11 taxes which would be imposed by such section 3111
12 (without regard to the provisions of this paragraph) with
13 respect to such employees shall (except as otherwise pro-
14 vided in paragraph (5)) be reduced by 10 percent.

15 “(4) Each agreement under this section shall provide
16 that any State whose payments under the agreement are
17 reduced by reason of paragraph (3) or paragraph (5)
18 shall agree to pay (and any such reduction shall be made on
19 the condition that such State pay) to any political subdivision
20 thereof a percentage of the aggregate amount of such reduc-
21 tion which percentage shall be equal to the percentage of the
22 amount paid by such State under paragraph (1)(A) for
23 which such State was reimbursed by such political subdivision.

24 “(5) The amount of the taxes which would be imposed
25 by such section 3111 for a calendar year (taking into ac-

1 count the provisions of paragraph (3)) shall not be less
2 than the lesser of

3 “(A) the amount determined under paragraph (1)
4 (A) as the taxes which would be imposed by such section
5 3111 for such calendar year (without regard to the pro-
6 visions of paragraph (3)); or

7 “(B) the amount determined for calendar year 1979
8 under paragraph (1)(A) as the taxes which would be
9 imposed by such section 3111 for calendar year 1979
10 (after application of the provisions of subparagraph
11 (A) of paragraph (3)).”.

12 (b) Section 3111 of the Internal Revenue Code of 1954
13 (relating to rate of tax on employers) is amended by adding
14 at the end thereof the following new subsections:

15 “(c) CERTAIN NONPROFIT EMPLOYERS.—Notwith-
16 standing any other provision of this section, in the case of an
17 organization described in section 501(c)(3) which is exempt
18 from tax under section 501(a) and with respect to which the
19 taxes imposed by this section are paid, the amount of the taxes
20 imposed by this section with respect to employees (other than
21 employees who are primarily employed in connection with
22 one or more unrelated trades or businesses (within the mean-
23 ing of section 513) of such organization) shall—

24 “(1) during calendar year 1979, be equal to the
25 amount which would be determined if the rates of tax

1 under section 3111 and the contribution and benefit base
2 (as determined under section 230 of the Social Security
3 Act) which would have applied during calendar year
4 1979 under the law in effect immediately before the
5 enactment of the Social Security Amendments of 1977;
6 and

7 “(2) for the calendar years 1980 and thereafter, be
8 equal to 90 percent of the amount determined under this
9 section (without regard to the provisions of this
10 subsection).”.

11 (c) Notwithstanding anything herein to the contrary
12 where the amount of taxes imposed under subsection (c)(2)
13 above is less than the amount of taxes paid under subsection
14 (c)(1) above, an organization described in section 501(c)
15 (3) which is exempt from tax under section 501(a) shall
16 pay the lesser of (i) the amount of taxes which would be im-
17 posed under this section (without regard to the provisions
18 of subsection (d)(2)).

19 (d) There are authorized to be appropriated to the Fed-
20 eral Old-Age and Survivors Trust Fund and the Federal
21 Hospital Insurance Trust Fund for each fiscal year amounts
22 equivalent to the amounts which would have been deposited in
23 such trust funds during that fiscal year but for the amend-
24 ments made by this section.

CONFORMING CHANGES

2 *SEC. 107. (a) Section 202(m)(1) is amended to read*
3 *as follows:*

4 “(1) In any case in which an individual is entitled to
5 a monthly benefit under this section on the basis of a primary
6 insurance amount computed under section 215 (a) or (d),
7 as in effect after December 1978, on the basis of the wages
8 and self-employment income of a deceased individual for
9 any month and no other person is (without the application
10 of subsection (j)(1)) entitled to a monthly benefit under
11 this section for that month on the basis of those wages and
12 self-employment income, the individual's benefit amount for
13 that month, prior to reduction under subsection (k)(3),
14 shall not be less than that provided by subparagraph (C)
15 (I) or (C)(II) (whichever is greater) of section 215(a)
16 (1). In any case in which an individual is entitled to a
17 monthly benefit under this section on the basis of a primary
18 insurance amount computed under section 215 as in effect
19 (without regard to the table contained therein) prior to
20 January 1979, that monthly benefit shall be determined
21 under this section as in effect as prescribed by section 215
22 (a)(5) and increased under subsection (i)(4).”.

23 (b) Section 217(b)(1) is amended by inserting "as in
24 effect in December 1978" after "section 215(c)" each time
25 it appears, and after "section 215(d)".

1 (c) Section 224(a) is amended in the matter follow-
 2 ing paragraph (8) by inserting “(determined under section
 3 215(b) as in effect prior to January 1979)” after “(A)
 4 the average monthly wage”.

5 (d) Section 1839(c)(3)(B) is amended to read as
 6 follows:

7 “(B) the monthly premium rate most recently
 8 promulgated by the Secretary under this paragraph, in-
 9 creased by a percentage determined as follows: The
 10 Secretary shall ascertain the primary insurance amount
 11 computed under section 215(a)(1), based upon average
 12 indexed monthly earnings of \$900, that applied to in-
 13 dividuals who became eligible for and entitled to old-age
 14 insurance benefits on May 1 of the year of the promulga-
 15 tion. He shall increase the monthly premium rate by
 16 the same percentage by which that primary insurance
 17 amount is increased when, by reason of the law in effect
 18 at the time the promulgation is made, it is so com-
 19 puted to apply to those individuals on the following
 20 May 1.”.

21 (e) Section 202(w) of such Act is amended—

22 (1) by inserting after “section 215(a)(3)” in para-
 23 graph (1) (in the matter preceding subparagraph (A))
 24 the following: “as in effect in December 1978 or section
 25 215(a)(1)(C)(III) as in effect thereafter”;

1 (2) by inserting "as in effect in December 1978, or
2 section 215(a)(1)(C)(III) as in effect thereafter,"
3 after "paragraph (3) of section 215(a)" in paragraph
4 (5); and

5 (3) by inserting "(whether before, in, or after, De-
6 cember 1978)" after "determined under section 215(a)"
7 in paragraph (5).

8 (f) Section 104(j)(2) of the Social Security Amend-
9 ments of 1972 is amended by striking out "215(b)(3)" and
10 inserting in lieu thereof "215(b)(2)(B)(iii)".

11 EFFECTIVE DATE PROVISIONS

12 SEC. 108. The amendments made by the preceding provi-
13 sions of this Act (other than section 104(d) and 106) shall be
14 effective with respect to monthly benefits and lump-sum death
15 payments under title II of the Social Security Act payable
16 for months after December 1978. The amendments made by
17 section 104(d) shall be effective with respect to monthly
18 insurance benefits of an individual who becomes eligible for
19 an old-age or disability insurance benefit or who dies after
20 December 31, 1977.

21 PART B—GENERAL PROVISIONS

22 LIBERALIZATION OF EARNINGS TEST

23 SEC. 121. (a) Section 203(f)(8)(B) of the Social
24 Security Act is amended by striking out "The exempt
25 amount" in the matter preceding clause (i) and inserting

1 in lieu thereof "Except as provided in subparagraph (D),
2 the exempt amount".

3 (b) Section 203(f)(8) of such Act is further amended
4 by adding at the end thereof the following new subparagraph:

5 "(D) Notwithstanding any other provision of this
6 subsection, the exempt amount—

7 "(i) shall be \$375 for each month of any tax-
8 able year ending after 1977 and before 1979, and

9 "(ii) shall be \$500 for each month of any tax-
10 able year ending after 1978 and before 1980."

11 (c) No determination or publication of a new exempt
12 amount shall be required to be made under section 203(f)
13 (8)(A) of the Social Security Act, and no notification with
14 respect to an increased exempt amount shall be required to
15 be given under the last sentence of section 203(f)(8)(B)
16 of such Act, in the calendar year 1978 but such a determina-
17 tion, publication, and notification shall be required in calendar
18 years after 1978 and shall be made or given as though the
19 dollar amounts specified in clauses (i) and (ii) of section 203
20 (f)(8)(D) of such Act (as added by subsection (b) of this
21 section) had been determined (for the taxable years involved)
22 under such section 203(f)(8)(B).

23 (d) Subsections (f)(1), (f)(3), (f)(4)(B), and
24 (h)(1)(A) of section 203 of such Act are amended by strik-
25 ing out "\$200 or".

1 *REPEAL OF EARNINGS LIMITATION FOR INDIVIDUALS AGE*
2 *70 AND OVER*

3 *SEC. 122. (a) Subsections (c)(1), (d)(1), (f)(1),*
4 *and (j) of section 203 of the Social Security Act are each*
5 *amended by striking out "seventy-two" and inserting in lieu*
6 *thereof "seventy".*

7 *(b) Subsection (f)(3) of section 203 of such Act is*
8 *amended by striking out "age 72" and inserting in lieu*
9 *thereof "age 70".*

10 *(c) Subsection (h)(1)(A) of section 203 of such Act*
11 *is amended by striking out "the age of 72" and "age 72"*
12 *and inserting in lieu thereof in each instance "age 70".*

13 *(d) The heading of subsection (j) of section 203 of*
14 *such Act is amended by striking out "Seventy-two" and*
15 *inserting in lieu thereof "Seventy".*

16 *(e) The amendments made by this section shall apply*
17 *only with respect to taxable years ending after December 31,*
18 *1981.*

19 *(f) (1) The amendments made by this section shall be*
20 *effective (subject to the provisions of paragraph (2)) with*
21 *respect to taxable years ending after December 31, 1977.*

22 *(2) Prior to October 1, 1978, title II of the Social Secu-*
23 *rity Act shall be administered as if the amendments made by*
24 *this section had not been enacted.*

25 *(g) Clause (E) of the last sentence of section 203(f)*

1 (1) of the Social Security Act (as amended by section
 2 121(d) of this Act) is further amended by inserting before
 3 the period at the end thereof the following: “, if such month
 4 is in the taxable year in which occurs the first month that is
 5 both (i) a month for which the individual is entitled to
 6 benefits under subsection (a), (b), (c), (d), (e), (f), (g),
 7 or (h) of section 202 (without having been entitled for the
 8 preceding month to a benefit under any other of such subsec-
 9 tions), and (ii) a month in which the individual did not
 10 engage in self-employment and did not render services for
 11 wages (determined as provided in paragraph (5)) of more
 12 than the exempt amount as determined under paragraph
 13 (8)”.

14 (h) The amendment made by subsection (g) shall
 15 apply only with respect to monthly benefits payable for
 16 months after December 1977.

17 **WIDOW’S AND WIDOWER’S INSURANCE BENEFITS IN CASES**
 18 **OF DELAYED RETIREMENT**

19 **SEC. 123.** (a) Section 202(e)(2)(A) of the Social
 20 Security Act is amended (1) by inserting “(as determined
 21 after application of the following sentence)” after “primary
 22 insurance amount”, and (2) by adding at the end thereof
 23 the following new sentence: “If such deceased individual
 24 was (or upon application would have been) entitled to an
 25 old-age insurance benefit which was increased (or subject to

1 *being increased) on account of delayed retirement under the*
2 *provisions of subsection (w), then, for purposes of this*
3 *subsection, such individual's primary insurance amount*
4 *shall be deemed to be equal to the old-age insurance benefit*
5 *(increased, where applicable, under section 215(f) (5) or*
6 *(6) and under section 215(i) as if such individual were still*
7 *alive in the case of an individual who has died) which he was*
8 *receiving (or would upon application have received) for the*
9 *month prior to the month in which he died, and (notwith-*
10 *standing the provisions of paragraph (3) of such subsection*
11 *(w)) the number of increment months shall include any*
12 *month in the months of the calendar year in which he died,*
13 *prior to the month in which he died, which satisfy the condi-*
14 *tions in paragraph (2) of such subsection (w).".*

15 *(b) Section 202(e)(2)(B)(i) of such Act is amended*
16 *by inserting "and section 215(f)(6) were applied, where*
17 *applicable," immediately after "living".*

18 *(c) Section 202(f)(3)(A) of such Act is amended*
19 *(1) by inserting "(as determined after application of the*
20 *following sentence)" after "primary insurance amount",*
21 *and (2) by adding at the end thereof the following new sen-*
22 *tence: "If such deceased individual was (or upon application*
23 *would have been) entitled to an old-age insurance benefit*
24 *which was increased (or subject to being increased) on*
25 *account of delayed retirement under the provisions of sub-*

1 section (w), then, for purposes of this subsection, such
 2 individual's primary insurance amount shall be deemed to be
 3 equal to the old-age insurance benefit (increased, where appli-
 4 cable, under section 215(f) (5) or (6) and under section
 5 215(i) as if such individual were still alive in the case of an
 6 individual who has died) which she was receiving (or would
 7 upon application have received) for the month prior to the
 8 month in which she died, and (notwithstanding the provisions
 9 of paragraph (3) of such subsection (w)) the number of
 10 increment months shall include any month in the months of
 11 the calendar year in which she died, prior to the month in
 12 which she died, which satisfy the conditions in paragraph
 13 (2) of such subsection (w).".

14 (d) Section 202(f)(3)(B)(i) of such Act is amended
 15 by inserting "and section 215(f)(6) were applied, where
 16 appropriate," after "living,".

17 (e) Section 203(a) (as amended by section 105(g))
 18 is further amended by adding at the end thereof the following
 19 new paragraph:

20 "(8) when—

21 "(A) one or more persons were entitled (with-
 22 out the application of section 202(j)(1) and sec-
 23 tion 223(b)) to monthly benefits under section 202
 24 or 223 for December 1977 on the basis of the wages
 25 and self-employment income of an individual,

1 “(B) the benefit of at least one such person
2 for January 1978 is increased by reason of the
3 amendments made by section 109 of the Social Se-
4 curity Amendments of 1977; and

5 “(C) the total amount of benefits to which all
6 such persons are entitled under such section 202
7 are reduced under the provisions of this subsection
8 (or would be so reduced except for the first sentence
9 of section 203(a)(4)),

10 then the amount of the benefit to which each such person is
11 entitled for months after December 1977 shall be increased
12 (after such reductions are made under this subsection) to
13 the amount such benefit would have been if the benefit of the
14 person or persons referred to in subparagraph (B) had not
15 been so increased.”.

16 (f) The amendments made by this section shall be ef-
17 fective with respect to monthly insurance benefits under title
18 II of the Social Security Act for months after December
19 1977.

20 REDUCED BENEFITS FOR SPOUSES RECEIVING

21 GOVERNMENT PENSIONS

22 SEC. 124. (a)(1) Section 202(b)(2) of the Social
23 Security Act is amended by inserting after “subsection (q)”
24 the following: “and paragraph (4) of this subsection”.

1 (2) Section 202(b) of such Act is amended by adding at
2 the end thereof the following new paragraph:

3 “(4)(A) The amount of a wife’s insurance benefit for
4 each month as determined after application of the provisions
5 of subsections (q) and (k) shall be reduced (but not below
6 zero) by an amount equal to the amount of any monthly bene-
7 fit payable to such wife (or divorced wife) for such month
8 which is based upon her earnings while in the service of the
9 Federal Government or any State (or political subdivision
10 thereof, as defined in section 218(b)(2)) if, on the last day
11 she was employed by such entity, such service did not con-
12 stitute ‘employment’ as defined in section 210.

13 “(B) For purposes of this paragraph, any periodic
14 benefit which otherwise meets the requirements of subpara-
15 graph (A), but which is paid on other than a monthly basis,
16 shall be allocated on a basis equivalent to a monthly benefit
17 (as determined by the Secretary) and such equivalent
18 monthly benefit shall constitute a monthly benefit for purposes
19 of subparagraph (A). For purposes of this subparagraph,
20 the term ‘periodic benefit’ includes a benefit payable in a lump
21 sum if it is a commutation of, or a substitute for, periodic
22 payments.”.

23 (b)(1) Section 202(c)(1) is amended—

24 (A) by striking out subparagraph (C);

1 (B) by inserting "and" at the end of subparagraph
2 (B); and

3 (C) by redesignating subparagraph (D) as sub-
4 paragraph (C).

5 (2) Section 202(c)(2) is amended to read as follows:

6 “(2)(A) The amount of a husband’s insurance benefit
7 for each month as determined after application of the pro-
8 visions of subsections (q) and (k) shall be reduced (but not
9 below zero) by an amount equal to the amount of any monthly
10 benefit payable to such husband for such month which is based
11 upon his earnings while in the service of the Federal Govern-
12 ment or any State (or political subdivision thereof, as defined
13 in section 218(b)(2)) if, on the last day he was employed
14 by such entity, such service did not constitute ‘employment’
15 as defined in section 210.

16 “(B) For purposes of this paragraph, any periodic
17 benefit which otherwise meets the requirements of subpara-
18 graph (A), but which is paid on other than a monthly basis,
19 shall be allocated on a basis equivalent to a monthly benefit
20 (as determined by the Secretary) and such equivalent
21 monthly benefit shall constitute a monthly benefit for purposes
22 of subparagraph (A). For purposes of this subparagraph,
23 the term ‘periodic benefit’ includes a benefit payable in a lump
24 sum if it is a commutation of, or a substitute for, periodic
25 payments.”.

1 (3) Section 202(c)(3) is amended by inserting after
2 “subsection (q)” the following: “and paragraph (2) of this
3 subsection”.

4 (c)(1) Section 202(e)(2)(A) of such Act is amended
5 by striking out “paragraph (4)” and inserting in lieu thereof
6 “paragraphs (4) and (8)”.

7 (2) Section 202(e) of such Act is amended by adding
8 at the end thereof the following new paragraph:

9 “(8)(A) The amount of a widow’s insurance benefit
10 for each month as determined (after application of the pro-
11 visions of subsection (q), paragraph (2)(B), and paragraph
12 (4)) shall be reduced (but not below zero) by an amount
13 equal to the amount of any monthly benefit payable to such
14 widow (or surviving divorced wife) for such month which is
15 based upon her earnings while in the service of the Federal
16 Government or any State (or any political subdivision there-
17 of, as defined in section 218(b)(2)) if, on the last day she
18 was employed by such entity, such service did not constitute
19 ‘employment’ as defined in section 210.

20 “(B) For purposes of this paragraph, any periodic
21 benefit which otherwise meets the requirements of subpara-
22 graph (A), but which is paid on other than a monthly basis,
23 shall be allocated on a basis equivalent to a monthly benefit
24 (as determined by the Secretary) and such equivalent monthly
25 benefit shall constitute a monthly benefit for purposes of sub-

1 paragraph (A). For purposes of this subparagraph, the
2 term 'periodic benefit' includes a benefit payable in a lump
3 sum if it is a commutation of, or a substitute for, periodic
4 payments.".

5 (d) (1) Section 202(f) (1) is amended—

6 (A) by striking out subparagraph (D); and

7 (B) by redesignating subparagraphs (E), (F),
8 and (G) as subparagraphs (D), (E), and (F), re-
9 spectively.

10 (2) Section 202(f) (2) is amended to read as follows:

11 "(2)(A) The amount of a widower's insurance benefit
12 for each month (as determined after application of the pro-
13 visions of subsection (q), paragraph (3)(B) and para-
14 graph (5) shall be reduced (but not below zero) by an
15 amount equal to the amount of any monthly benefit payable to
16 such widower for such month which is based upon his earnings
17 while in the service of the Federal Government or any State
18 (or any political subdivision thereof, as defined in section
19 218(b)(2)) if, on the last day he was employed by such
20 entity, such service did not constitute 'employment' as defined
21 in section 210.

22 "(B) For purposes of this paragraph, any periodic
23 benefit which otherwise meets the requirements of subpara-
24 graph (A), but which is paid on other than a monthly basis,
25 shall be allocated on a basis equivalent to a monthly benefit

1 *(as determined by the Secretary) and such equivalent*
 2 *monthly benefit shall constitute a monthly benefit for purposes*
 3 *of subparagraph (A). For purposes of this subparagraph,*
 4 *the term 'periodic benefit' includes a benefit payable in a lump*
 5 *sum if it is a commutation of, or a substitute for, periodic*
 6 *payments."*

7 *(3) Section 202(f)(3)(A) is amended by striking out*
 8 *"paragraph (5)" and inserting in lieu thereof "paragraphs*
 9 *(2) and (5)".*

10 *(4)(A) Section 202(f)(7) is amended by striking out*
 11 *"paragraph (1)(G)" and inserting in lieu thereof "para-*
 12 *graph (1)(F)".*

13 *(B) Section 226(h)(1)(B) is amended by striking out*
 14 *"subparagraph (G) of section 202(f)(1)" and inserting in*
 15 *lieu thereof "subparagraph (F) of section 202(f)(1)".*

16 *(5) Section 202(p)(1) is amended by striking out "sub-*
 17 *paragraph (C) of subsection (c)(1), clause (i) or (ii) of*
 18 *subparagraph (D) of subsection (f)(1), or".*

19 *(e)(1) Section 202(g)(2) of such Act is amended by*
 20 *striking out "Such" and inserting in lieu thereof "Except*
 21 *as provided in paragraph (4) of this subsection, such".*

22 *(2) Section 202(g) of such Act is amended by adding at*
 23 *the end thereof the following new paragraph:*

24 *"(4)(A) The amount of a mother's insurance benefit*
 25 *for each month to which any individual is entitled under this*

1 subsection shall be reduced (but not below zero) by an amount
2 equal to the amount of any monthly benefit payable to such
3 individual for such month which is based upon such in-
4 dividual's earnings while in the service of the Federal Gov-
5 ernment or any State (or political subdivision thereof, as
6 defined in section 218(b)(2)) if, on the last day such indi-
7 vidual was employed by such entity, such service did not
8 constitute 'employment' as defined in section 210.

9 “(B) For purposes of this paragraph, any periodic
10 benefit which otherwise meets the requirements of subpara-
11 graph (A), but which is paid on other than a monthly basis,
12 shall be allocated on a basis equivalent to a monthly benefit
13 (as determined by the Secretary) and such equivalent
14 monthly benefit shall constitute a monthly benefit for purposes
15 of subparagraph (A). For purposes of this subparagraph,
16 the term 'periodic benefit' includes a benefit payable in a lump
17 sum if it is a commutation of, or a substitute for, periodic
18 payments.”.

19 (f) The amendments made by this section shall apply
20 with respect to monthly insurance benefits payable under
21 title II of the Social Security Act for months beginning with
22 the month in which this Act is enacted, on the basis of appli-
23 cations filed in or after the month in which this Act is enacted.

3 *Employer Social Security Tax Liability*

8 “(s) *CONCURRENT EMPLOYMENT BY TWO OR MORE*
9 *EMPLOYERS.*—For purposes of sections 3102, 3111, and
10 3121(a)(1), if two or more corporations concurrently em-
11 ploy the same individual and compensate such individual
12 through a common paymaster, each such corporation shall be
13 considered to have paid as remuneration to such individual
14 only the amounts actually disbursed by it to such individual
15 and shall not be considered to have paid as remuneration to
16 such individual amounts actually disbursed to such individual
17 by another of such corporations.”.

21 “(p) *CONCURRENT EMPLOYMENT BY TWO OR MORE*
22 *EMPLOYERS.—For purposes of sections 3301, 3302, and*
23 *3306(b)(1), if two or more corporations concurrently em-*

1 *ploy the same individual and compensate such individual*
 2 *through a common paymaster, each such corporation shall*
 3 *be considered to have paid as remuneration to such individual*
 4 *only the amounts actually disbursed by it to such individual*
 5 *and shall not be considered to have paid as remuneration to*
 6 *such individual amounts actually disbursed to such individual*
 7 *by another of such corporations.”.*

8 *Effective Date*

9 *(c) The amendments made by this section shall ap-*
 10 *ply with respect to wages paid after December 31, 1978.*

11 *LIMITATION ON RETROACTIVE BENEFITS*

12 *SEC. 126. (a)(1) The first sentence of section 202(j)*
 13 *(1) of the Social Security Act is amended by striking out*
 14 *“An individual” and inserting “Subject to the limitations con-*
 15 *tained in paragraph (4), an individual” in lieu thereof.*

16 *(2) Section 202(j) of such Act is further amended by*
 17 *inserting at the end thereof the following new paragraph:*

18 *“(4)(A) Except as provided in subparagraph (B), no*
 19 *individual shall be entitled to benefits under subsection (a),*
 20 *(b), (c), (e), or (f) for any month prior to the month*
 21 *in which he or she files an application for such benefits if the*
 22 *effect of entitlement to such monthly benefit would be to reduce,*
 23 *pursuant to subsection (q), the amount of the monthly benefit*
 24 *to which such individual would otherwise be entitled for the*
 25 *month in which such application is filed.*

1 “(B)(i) If the individual applying for retroactive
2 benefits is applying for such benefits under subsection (a),
3 and there are one or more other persons who would, except
4 for subparagraph (A), be entitled for any month, on the
5 basis of the wages and self-employment income of such in-
6 dividual and because of such individual's entitlement to such
7 retroactive benefits, to retroactive benefits under subsection
8 (b), (c), or (d) not subject to reduction under subsection
9 (q), then subparagraph (A) shall not apply with respect
10 to such month or any subsequent month.

11 “(ii) If the individual applying for retroactive benefits
12 is a surviving spouse or surviving divorced spouse, and is
13 under a disability (as defined in section 223(d)), and such
14 individual would, except for subparagraph (A), be entitled
15 to retroactive benefits as a disabled surviving spouse or dis-
16 abled surviving divorced spouse for any month before he or
17 she attained the age of 60, then subparagraph (A) shall not
18 apply with respect to such month or any subsequent month.

19 “(iii) If the individual applying for retroactive benefits
20 has excess earnings (as defined in section 203(f)) in the
21 year in which he or she files an application for such benefits
22 which could, except for subparagraph (A), be charged to
23 months in such year prior to the month of application, then
24 subparagraph (A) shall not apply to so many of such
25 months immediately preceding the month of application as

1 are required to charge such excess earnings to the maximum
2 extent possible.

3 “(iv) As used in this subparagraph, the term “retro-
4 active benefits’ means a benefit to which an individual becomes
5 entitled for a month prior to the month in which application
6 for such benefit is filed.”.

7 (3) Section 226(h) of such Act is amended by adding
8 at the end thereof the following new paragraph:

9 “(4) For the purposes of determining entitlement to
10 hospital insurance benefits under subsection (b) in the case
11 of an individual described in clause (iii) of subsection (b)
12 (2)(A), the entitlement of such individual to widow’s or
13 widower’s insurance benefits under section 202(e) or (f)
14 by reason of a disability shall be deemed to be the entitle-
15 ment to such benefits that would result if such entitlement
16 were determined without regard to the provisions of sec-
17 tion 202(j)(4).”.

18 (b) The amendments made by subsection (a) shall be
19 effective only with respect to monthly insurance benefits under
20 title II of the Social Security Act to which an individual be-
21 comes entitled on the basis of an application filed after the
22 date of enactment of this Act.

23 DELIVERY OF BENEFIT CHECKS

24 SEC. 127. (a) Title VII of the Social Security Act is
25 amended by adding at the end thereof the following new
26 section:

"DELIVERY OF BENEFIT CHECKS

2 *"SEC. 708. Notwithstanding any other provision of this*
3 *Act, when the normal day for delivery of benefit checks un-*
4 *der title II or XVI of this Act would, but for the provisions*
5 *of this section, fall on a Saturday, Sunday, or legal public*
6 *holiday (as defined in section 6103 of title 5, United States*
7 *Code), benefit checks for such month shall be mailed for*
8 *delivery on the first day preceding such normal delivery day*
9 *which is not a Saturday, Sunday, or legal public holiday,*
10 *without regard to whether the delivery of such checks is made*
11 *in the same calendar month in which such normal day for*
12 *delivery would occur."*

13 *(b) The amendment made by subsection (a) of this sec-*
14 *tion shall be effective on the date of enactment of this Act.*

15 *ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE*
16 *APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT*

17 *SEC. 128. (a) Section 202(q)(4) of the Social Se-*
18 *curity Act is amended by striking out all that follows sub-*
19 *paragraph (B) and inserting in lieu thereof the following:*
20 *"then the amount of the reduction of such benefit (after the*
21 *application of any adjustment under paragraph (7)) for*
22 *each month beginning with the month of such increase in the*
23 *primary insurance amount, shall be computed under para-*
24 *graph (1) or (3), whichever applies, as though the increased*
25 *primary insurance amount had been in effect for and from*

1 the month for which the individual first became entitled to
2 such monthly benefit reduced under such paragraph (1) or
3 (3).”.

4 (b) Section 202(q) of such Act is amended by adding
5 at the end thereof the following new paragraphs:

6 “(10) For purposes of applying paragraph (4), to
7 monthly benefits payable for any month after December
8 1977, to an individual who was entitled to a monthly benefit
9 as reduced under paragraph (1) or (3) prior to January
10 1978, the amount of reduction of such benefit for the first
11 month for which such benefit is increased by reason of an
12 increase in the primary insurance amount of the individual
13 on whose wages and self-employment income such benefit is
14 based and for all subsequent months (and similarly for all
15 subsequent increases) shall be increased by the percentage
16 increase in such primary insurance amount (such increase
17 being made in accordance with the provisions of paragraph
18 (8)). In the case of an individual whose reduced benefit
19 under this section is increased as a result of the use of an
20 adjusted reduction period or an additional adjusted reduc-
21 tion period (in accordance with paragraphs (1) and (3)
22 of this section), then for the first month for which such in-
23 crease is effective and for all subsequent months, the amount of
24 such reduction (after the application of the previous sentence,
25 if applicable) shall be reduced—

1 “(A) in the case of old-age, wife’s, and husband’s
2 insurance benefits, by multiplying such amount by the
3 ratio of (i) the number of months in the adjusted reduc-
4 tion period to (ii) the number of months in the reduction
5 period,

6 “(B) in the case of widow’s and widower’s insur-
7 ance benefits for the month in which such individual
8 attains age 62, by multiplying such amount by the ratio
9 of (i) the number of months in the reduction period
10 beginning with age 62 multiplied by $19/40$ of 1 per-
11 cent, plus the number of months in the adjusted reduc-
12 tion period prior to age 62 multiplied by $19/40$ of 1 per-
13 cent, plus the number of months in the adjusted additional
14 reduction period multiplied by $43/240$ of 1 percent to
15 (ii) the number of months in the reduction period multi-
16 plied by $19/40$ of 1 percent, plus the number of months
17 in the additional reduction period multiplied by $43/240$
18 of 1 percent, and

19 “(C) in the case of widow’s and widower’s insur-
20 ance benefits for the month in which such individual
21 attains age 65, by multiplying such amount by the ratio
22 of (i) the number of months in the adjusted reduction
23 period multiplied by $19/40$ of 1 percent, plus the number
24 of months in the adjusted additional reduction period
25 multiplied by $43/240$ of 1 percent to (ii) the number

1 of months in the reduction period beginning with age
 2 62 multiplied by $19/40$ of 1 percent, plus the number
 3 of months in the adjusted reduction period prior to
 4 age 62 multiplied by $19/40$ of 1 percent, plus the number
 5 of months in the adjusted additional reduction period
 6 multiplied by $43/240$ of 1 percent,

7 such decrease being made in accordance with the provisions
 8 of paragraph (8).

9 “(11) When an individual is entitled to more than one
 10 monthly benefit under this title and one or more of such
 11 benefits are reduced under this subsection, the preceding para-
 12 graph of this subsection shall apply separately to each such
 13 benefit reduced under this subsection before the application
 14 of subsection (k) (pertaining to the method by which monthly
 15 benefits are offset when an individual is entitled to more than
 16 one kind of benefit) and the application of this paragraph
 17 shall operate in conjunction with paragraph (3).”.

18 (c)(1) Section 202(q)(7)(C) of the Social Security
 19 Act is amended by striking out “because” and all that follows
 20 and inserting in lieu thereof “because of the occurrence
 21 of an event that terminated her or his entitlement to such
 22 benefits,”.

23 (2) Section 202(q)(3)(H) of such Act is amended
 24 by inserting “for that month or” after “first entitled”.

25 (d) The amendments made by this section shall be effec-

1 *tive with respect to monthly benefits payable for months after*
 2 *December 1977.*

3 **INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL**
 4 **SECURITY BENEFITS**

5 *SEC. 129. (a) Title II of the Social Security Act is*
 6 *amended by adding at the end thereof the following new*
 7 *section:*

8 **"INTERNATIONAL AGREEMENTS**

9 **"Purpose of Agreement**

10 *"SEC. 233. (a) The President is authorized (subject to*
 11 *the succeeding provisions of this section) to enter into agree-*
 12 *ments establishing totalization arrangements between the social*
 13 *security system established by this title and the social security*
 14 *system of any foreign country, for the purposes of establishing*
 15 *entitlement to and the amount of old-age, survivors, disability,*
 16 *or derivative benefits based on a combination of an individ-*
 17 *ual's periods of coverage under the social security system*
 18 *established by this title and the social security system of such*
 19 *foreign country.*

20 **"Definitions**

21 *"(b) For the purposes of this section—*

22 *"(1) the term 'social security system' means, with*
 23 *respect to a foreign country, a social insurance or pen-*
 24 *sion system which is of general application in the country*
 25 *and under which periodic benefits, or the actuarial equiv-*

1 *alent thereof, are paid on account of old age, death, or*
2 *disability; and*

“(2) the term ‘period of coverage’ means a period of payment of contributions or a period of earnings based on wages for employment or on self-employment income, or any similar period recognized as equivalent thereto under this title or under the social security system of a country which is a party to an agreement entered into under this section.

10 *"Crediting Periods of Coverage; Conditions of Payment*
11 *of Benefits*

12 “(c)(1) Any agreement establishing a totalization
13 arrangement pursuant to this section shall provide—

“(A) that in the case of an individual who has at least 6 quarters of coverage as defined in section 213 of this Act and periods of coverage under the social security system of a foreign country which is a party to such agreement, periods of coverage of such individual under such social security system of such foreign country may be combined with periods of coverage under this title and otherwise considered for the purposes of establishing entitlement to and the amount of old-age, survivors, and disability insurance benefits under this title;

24 “(B) (i) that employment or self-employment, or any
25 service which is recognized as equivalent to employment

1 or self-employment under this title or the social security
2 system of a foreign country which is a party to such
3 agreement, shall, on or after the effective date of such
4 agreement, result in a period of coverage under the system
5 established under this title or under the system established
6 under the laws of such foreign country, but not under
7 both, and (ii) the methods and conditions for determining
8 under which system employment, self-employment, or
9 other service shall result in a period of coverage; and

10 “(C) that where an individual's periods of coverage
11 are combined, the benefit amount payable under this title
12 shall be based on the proportion of such individual's
13 periods of coverage which was completed under this title.

14 “(2) Any such agreement may provide that—

15 “(A) an individual who is entitled to cash benefits
16 under this title shall, notwithstanding the provisions of
17 section 202(t), receive such benefits while he resides in a
18 foreign country which is a party to such agreement; and

19 “(B) the benefit paid by the United States to an
20 individual who legally resides in the United States shall
21 be increased to an amount which, when added to the
22 benefit paid by such foreign country, will be equal to the
23 benefit amount which would be payable to an entitled
24 individual based on the first figure in (or deemed to
25 be in) column IV of the table in section 215(a) in the

1 *case of an individual becoming eligible for such benefit*
2 *before January 1, 1979, or based on a primary insur-*
3 *ance amount determined under section 215(a)(1)(C)*
4 *(i) (I) or (II) in the case of an individual becoming*
5 *eligible for such benefit on or after that date.*

6 *“(3) Section 226 shall not apply in the case of any*
7 *individual to whom it would not be applicable but for this*
8 *section or any agreement or regulation under this section.*

9 *“(4) Any such agreement may contain other provisions,*
10 *which are not inconsistent with the other provisions of this*
11 *title and which the President deems appropriate to carry out*
12 *the purposes of this section.*

13 *“Regulations*

14 *“(d) The Secretary of Health, Education, and Welfare*
15 *shall make rules and regulations and establish procedures*
16 *which are reasonable and necessary to implement and admin-*
17 *ister any agreement which has been entered into in accordance*
18 *with this section.*

19 *“Reports to Congress; Effective Date of Agreements*

20 *“(e)(1) Any agreement to establish a totalization ar-*
21 *rangement entered into pursuant to this section shall be trans-*
22 *mitted by the President to the Congress together with a report*
23 *on the estimated number of individuals who will be affected by*
24 *the agreement and the effect of the agreement on the estimated*

1 income and expenditures of the programs established by this
2 Act.

3 “(2) Such an agreement shall become effective on any
4 date, provided in the agreement, which occurs after the
5 expiration of the period, following the date on which the
6 agreement is transmitted in accordance with paragraph (1),
7 during which each House of the Congress has been in session
8 on each of 90 days; except that such agreement shall not
9 become effective if, during such period, either House of the
10 Congress adopts a resolution of disapproval of the agree-
11 ment.”.

12 (b)(1) Section 1401 of the Internal Revenue Code of
13 1954 is amended by adding at the end thereof the following
14 new subsection:

15 “(c) RELIEF FROM TAXES IN CASES COVERED BY
16 CERTAIN INTERNATIONAL AGREEMENTS.—During any
17 period in which there is in effect an agreement entered into
18 pursuant to section 233 of the Social Security Act with any
19 foreign country, the self-employment income of an individ-
20 ual shall be exempt from the taxes imposed by this section to
21 the extent that such self-employment income is subject under
22 such agreement to taxes or contributions for similar purposes
23 under the social security system of such foreign country.”.

24 (2) Sections 3101 and 3111 of such Code are each

1 *amended by adding at the end thereof the following new sub-*
2 *section:*

3 “(c) *RELIEF FROM TAXES IN CASES COVERED BY*
4 *CERTAIN INTERNATIONAL AGREEMENTS.—During any*
5 *period in which there is in effect an agreement entered into*
6 *pursuant to section 233 of the Social Security Act with any*
7 *foreign country, wages received by or paid to an individual*
8 *shall be exempt from the taxes imposed by this section to the*
9 *extent that such wages are subject under such agreement to*
10 *taxes or contributions for similar purposes under the social*
11 *security system of such foreign country.”.*

12 (3) *Section 6051(a) of such Code is amended by add-*
13 *ing at the end thereof the following new sentence: “The*
14 *amounts required to be shown by paragraph (5) shall not*
15 *include wages which are exempted pursuant to sections 3101*
16 *(c) and 3111(c) from the taxes imposed by sections 3101*
17 *and 3111.”.*

18 (4) *Notwithstanding any other provision of law, taxes*
19 *paid by any individual to any foreign country with respect*
20 *to any period of employment or self-employment which is*
21 *covered under the social security system of such foreign coun-*
22 *try in accordance with the terms of an agreement entered*
23 *into pursuant to section 233 of the Social Security Act shall*
24 *not, under the income tax laws of the United States, be*

1 deductible by, or creditable against the income tax of, any
2 such individual.

3 *COVERAGE OF NONPROFIT ORGANIZATIONS WHICH*
4 *FAILED TO FILE WAIVER CERTIFICATES*

5 *SEC. 130. (a)(1) Section 3121(k)(5) of the Internal*
6 *Revenue Code of 1954 (relating to constructive filing of*
7 *certificate where refund or credit has been made and new*
8 *certificate is not filed) is amended—*

9 *(A) by striking out “prior to the expiration of 180*
10 *days after the date of the enactment of this paragraph,”*
11 *in subparagraph B and inserting in lieu thereof “prior*
12 *to January 1, 1978,”; and*

13 *(B) by striking out “the 181st day after the date*
14 *of the enactment of this paragraph,” and “such 181st*
15 *day” in the matter following subparagraph (B) and*
16 *inserting in lieu thereof in each instance “January 1,*
17 *1978,”.*

18 *(2) Section 3121(k)(7) of such Code (relating to*
19 *payment of both employee and employer taxes for retro-*
20 *active period by organization in cases of constructive filing)*
21 *is amended—*

22 *(A) by striking out “prior to the expiration of 180*
23 *days after the date of the enactment of this paragraph”*

1 and inserting in lieu thereof "prior to January 1,
2 1978,";

3 (B) by striking out "the 181st day after such
4 date," and inserting in lieu thereof "January 1, 1978,";
5 and

6 (C) by striking out "prior to the first day of the
7 calendar quarter in which such 181st day occurs" and
8 inserting in lieu thereof "prior to that date".

9 (3) Section 3121(k)(8) of such Code (relating to
10 extended period for payment of taxes for retroactive cover-
11 age) is amended—

12 (A) by striking out "by the end of the 180-day
13 period following the date of the enactment of this para-
14 graph" and inserting in lieu thereof "prior to January 1,
15 1978,";

16 (B) by striking out "within that period" and in-
17 serting in lieu thereof "prior to January 1, 1978"; and

18 (C) by striking out "on the 181st day following
19 that date" and inserting in lieu thereof "on that date".

20 (b)(1) Section 3121(k)(4) of the Internal Revenue
21 Code of 1954 (relating to constructive filing of certificate
22 where no refund or credit of taxes has been made) is
23 amended by adding at the end thereof the following new
24 subparagraph:

25 "(C) In the case of any organization which is

1 *deemed under this paragraph to have filed a valid*
2 *waiver certificate under paragraph (1), if—*

3 *“(i) the period with respect to which the*
4 *taxes imposed by sections 3101 and 3111 were*
5 *paid by such organization (as described in sub-*
6 *paragraph (A)(ii)) terminated prior to Octo-*
7 *ber 1, 1976, or*

8 *“(ii) the taxes imposed by sections 3101*
9 *and 3111 were not paid during the period re-*
10 *ferred to in clause (i) (whether such period has*
11 *terminated or not) with respect to remuneration*
12 *paid by such organization to individuals who*
13 *became its employees after the close of the calen-*
14 *dar quarter in which such period began,*
15 *taxes under sections 3101 and 3111—*

16 *“(iii) in the case of an organization which*
17 *meets the requirements of this subparagraph by*
18 *reason of clause (i), with respect to remunera-*
19 *tion paid by such organization after the termi-*
20 *nation of the period referred to in clause (i) and*
21 *prior to July 1, 1977; or*

22 *“(iv) in the case of an organization which*
23 *meets the requirements of this subparagraph by*
24 *reason of clause (ii), with respect to remunera-*
25 *tion paid prior to July 1, 1977, to individuals*

1 *who became its employees after the close of the*
2 *calendar quarter in which the period referred*
3 *to in clause (i) began,*

4 *which remain unpaid on the date of the enactment*
5 *of this subparagraph, or which were paid after*
6 *October 19, 1976, but prior to the date of the enact-*
7 *ment of this subparagraph, shall not be due or pay-*
8 *able (or, if paid, shall be refunded); and the certifi-*
9 *cate which such organization is deemed under this*
10 *paragraph to have filed shall not apply to any serv-*
11 *ice with respect to the remuneration for which the*
12 *taxes imposed by sections 3101 and 3111 (which*
13 *remain unpaid on the date of the enactment of this*
14 *subparagraph, or were paid after October 19, 1976,*
15 *but prior to the date of the enactment of this sub-*
16 *paragraph) are not due and payable (or are re-*
17 *funded) by reason of the preceding provisions of this*
18 *subparagraph. In applying this subparagraph for*
19 *purposes of title II of the Social Security Act, the*
20 *period during which reports of wages subject to the*
21 *taxes imposed by section 3101 and 3111 were made*
22 *by any organization may be conclusively treated as*
23 *the period (described in subparagraph (a)(ii))*
24 *during which the taxes imposed by such sections were*
25 *paid by such organization.”.*

1 (2) Section 3121(k)(4)(A) of such Code is amended
 2 by inserting “(subject to subparagraph (C))” after “effec-
 3 tive” in the matter following clause (ii).

4 (3) Section 3121(k)(6) of such Code (relating to
 5 application of certain provisions to cases of constructive
 6 filing) is amended by inserting “(except as provided in para-
 7 graph (4)(C))” after “services involved” in the matter
 8 preceding subparagraph (A).

9 (4) Section 3121(k)(4) is amended by striking out the
 10 word “date” in subparagraph (B)(ii) and inserting in lieu
 11 thereof the words “first day of the calendar quarter”.

12 (c) In any case where—

13 (1) an individual performed service, as an employee
 14 of an organization which is deemed under section 3121
 15 (k)(4) of the Internal Revenue Code of 1954 to have
 16 filed a waiver certificate under section 3121(k)(1) of
 17 such Code, on or after the first day of the applicable
 18 period described in subparagraph (A)(ii) of such sec-
 19 tion 3121(k)(4) and before July 1, 1977; and

20 (2) the service so performed does not constitute
 21 employment (as defined in section 210(a) of the Social
 22 Security Act and section 3121(b) of such Code) because
 23 the waiver certificate which the organization is deemed
 24 to have filed is made inapplicable to such service by sec-
 25 tion 3121(k)(4)(C) of such Code, but would constitute

1 *employment (as so defined) in the absence of such section*
2 *3121(k)(4)(C),*
3 *the remuneration paid for such service shall, upon the request*
4 *of such individual (filed on or before April 15, 1980, in such*
5 *manner and form, and with such official, as may be pre-*
6 *scribed by regulations made under title II of the Social Secu-*
7 *rity Act) accompanied by full payment of all of the taxes*
8 *which would have been paid under section 3101 of such*
9 *Code with respect to such remuneration but for such section*
10 *3121(k)(4)(C) (or by satisfactory evidence that appropri-*
11 *ate arrangements have been made for the payment of such*
12 *taxes in installments as provided in section 3121(k)(8) of*
13 *such Code), be deemed to constitute remuneration for*
14 *employment as so defined. In any case where remuneration*
15 *paid by an organization to an individual is deemed under*
16 *the preceding sentence to constitute remuneration for*
17 *employment, such organization shall be liable (notwith-*
18 *standing any other provision of such Code) for payment of*
19 *the taxes which it would have been required to pay under*
20 *section 3111 of such Code with respect to such remuneration*
21 *in the absence of such section 3121(k)(4)(C).*

22 *(d) Section 3121(k)(8) of the Internal Revenue Code*
23 *of 1954 (relating to extended period for payment of taxes for*
24 *retroactive coverage), as amended by subsection (a)(3) of*
25 *this Act, is amended to read as follows:*

1 “(8) *EXTENDED PERIOD FOR PAYMENT OF TAXES*
2 *FOR RETROACTIVE COVERAGE.*—Notwithstanding any
3 other provision of this title, in any case where—

4 “(A) an organization is deemed under para-
5 graph (4) to have filed a valid waiver certificate
6 under paragraph (1), but the applicable period
7 described in paragraph (4)(A)(ii) has terminated
8 and part or all of the taxes imposed by sections 3101
9 and 3111 with respect to remuneration paid by such
10 organization to its employees after the close of such
11 period remains payable notwithstanding paragraph
12 (4)(C), or

13 “(B) an organization described in paragraph
14 (5)(A) files a valid waiver certificate under para-
15 graph (1) by December 31, 1977, as described in
16 paragraph (5)(B), or (not having filed such a cer-
17 tificate by that date) is deemed under paragraph
18 (5) to have filed such a certificate on January 1,
19 1978, or

20 “(C) an individual files a request under section
21 3 of Public Law 94-563, or under section 3 of the
22 Act which added paragraph (4)(C) of this sub-
23 section, to have service treated as constituting
24 remuneration for employment (as defined in section

1 3121(b) and in section 210(a) of the Social
2 Security Act),

3 the taxes due under sections 3101 and 3111 with respect
4 to services constituting employment by reason of such
5 certificate for any period prior to the first day of the
6 calendar quarter in which the date of such filing or con-
7 structive filing occurs, or with respect to service consti-
8 tuting employment by reason of such request, may be
9 paid in installments over an appropriate period of time,
10 as determined under regulations prescribed by the Secre-
11 tary, rather than in a lump sum.”.

12 (e) The first sentence of section 3 of Public Law 94-563
13 (in the matter following paragraph (3)) is amended—

14 (1) by inserting “on or before April 15, 1980,”
15 after “filed”; and

16 (2) by inserting “or by satisfactory evidence that
17 appropriate arrangements have been made for the repay-
18 ment of such taxes in installments as provided in sec-
19 tion 3121(k)(8) of such Code” after “so refunded
20 or credited”.

21 (f) Section 3121(k)(4)(A)(i) of the Internal Revenue
22 Code of 1954 (relating to constructive filing of certificate
23 where no refund or credit of taxes has been made) is amended
24 by striking out “or any subsequent date” and inserting in lieu

1 thereof “(or, if later, as of the earliest date on which it satis-
2 fies clause (ii) of this subparagraph.)”.

3 (g) The amendments made by subsections (a), (b),
4 (d), (e), and (f) shall be effective as though they had been
5 included as a part of the amendments made to section 3121
6 (k) of the Internal Revenue Code of 1954 by the first section
7 of Public Law 94-563 (or, in the case of the amendments
8 made by subsection (e), as a part of section 3 of such Public
9 Law).

10 (h) Section 3121(k)(4)(B) of the Internal Revenue
11 Code of 1954 (relating to the period of not less than three
12 calendar quarters during which taxes imposed by sections
13 3101 and 3111 were paid) is amended by deleting the period
14 at the end thereof and inserting in lieu thereof: “, or if

15 “(iii) the organization prior to the end of
16 the period referred to in clause (ii) of such sub-
17 paragraph, had applied for a ruling or deter-
18 mination letter acknowledging it to be exempt
19 from income tax under section 501(c)(3), and
20 it subsequently received such ruling or determi-
21 nation letter and did not pay any taxes under
22 sections 3101 and 3111 with respect to any em-
23 ployee with respect to any quarter ending after
24 the twelfth month following the date of mailing
25 of such ruling or determination letter and did

1 not pay any such taxes with respect to any quar-
 2 ter beginning after the later of (I) Decem-
 3 ber 31, 1975, or (II) the date on which such
 4 ruling or determination letter was issued.”.

5 DISABILITY BENEFITS FOR BLIND PERSONS

6 SEC. 131. (a) Section 214(a) of the Social Security
 7 Act is amended by adding “or” after the semicolon at the
 8 end of paragraph (3), and by inserting after paragraph (3)
 9 the following new paragraph:

10 “(4) in the case of an individual who has died and
 11 who was entitled to a benefit under section 223 for the
 12 month before the month in which he died, 6 quarters of
 13 coverage;”.

14 (b)(1) Section 215(b)(1) of such Act is amended by
 15 striking out “shall be the quotient” and inserting in lieu
 16 thereof “shall (except as provided in paragraph (5)) be the
 17 quotient”.

18 (2) Section 215(b) of such Act is further amended by
 19 adding at the end thereof the following new paragraph:

20 “(5) In the case of an individual who is blind
 21 (within the meaning of ‘blindness’ as defined in section
 22 216(i)(1)), such individual’s average monthly wage
 23 shall be the quotient obtained by dividing (A) the total
 24 of his wages paid in, and self-employment income cred-
 25 ited to, all of the calendar quarters which are quarters

1 of coverage (as defined in section 213) and which fall
 2 within the period after 1950 and prior to the year
 3 specified in clause (i) or clause (ii) of paragraph (2)
 4 (C), by (B) the number of months in such quarters;
 5 except that any such individual who is fully insured
 6 (without regard to section 214(a)(4)) shall have his
 7 average monthly wage computed under this subsection
 8 without regard to this paragraph if such computation
 9 results in a larger primary insurance amount."

10 (3) The amendments made by this subsection shall apply
 11 with respect to monthly benefits and lump-sum death benefits
 12 payable under title II of the Social Security Act for months
 13 after September 1977.

14 (c)(1) Section 215(b)(1) of such Act (as amended
 15 by section 104(b) of this Act) is further amended by striking
 16 out "is equal to the quotient" and inserting in lieu thereof
 17 "is equal to (except as provided in paragraph (5)) the
 18 quotient".

19 (2) Section 215(b) of such Act (as amended by section
 20 104(b) of this Act) is further amended by adding at the end
 21 thereof the following new paragraph:

22 "(5) In the case of an individual who is blind
 23 (within the meaning of 'blindness' as defined in section
 24 216(i)(1)), such individual's average indexed monthly
 25 earnings is equal to the quotient obtained by dividing

1 (A) the total (after adjustment under paragraph (3))
 2 of his wages paid in, and self-employment income
 3 credited to, all of the calendar quarters which are
 4 quarters of coverage (as defined in section 213) and
 5 which fall within the period after 1950 and prior to
 6 the year specified in subclause (I) or subclause (II) of
 7 paragraph (2)(B)(ii), by (B) the number of months
 8 in such quarters; except that any such individual who is
 9 fully insured (without regard to section 214(a)(4))
 10 shall have his average indexed monthly earnings com-
 11 puted under this subsection without regard to this para-
 12 graph if such computation results in a larger primary
 13 insurance amount.”.

14 (3) The amendments made by this subsection shall
 15 apply with respect to monthly benefits and lump-sum death
 16 benefits under title II of the Social Security Act payable
 17 for months after December 1978.

18 (d) Section 216(i)(3) of such Act is amended to read
 19 as follows:

20 “(3) The requirements referred to in clauses (i)
 21 and (ii) of paragraph (2)(C) are satisfied by an
 22 individual with respect to any quarter only if—

23 “(A) he would have been a fully insured indi-
 24 vidual (as defined in section 214) had he attained
 25 age 62 and filed application for benefits under

1 section 202(a) on the first day of such quarter, and
2 (i) he had not less than 20 quarters of coverage
3 during the 40-quarter period which ends with such
4 quarter, or (ii) if such quarter ends before he
5 attains (or would attain) age 31, not less than
6 one-half (and not less than 6) of the quarters
7 during the period ending with such quarter and
8 beginning after he attained the age of 21 were
9 quarters of coverage, or (if the number of quarters
10 in such period is less than 12) not less than 6 of
11 the quarters in the 12-quarter period ending with
12 such quarter were quarters of coverage; or

13 “(B) he is blind (within the meaning of ‘blind-
14 ness’ as defined in paragraph (1) of this subsec-
15 tion) and has not less than 6 quarters of coverage
16 in the period which ends with such quarter.

17 For purposes of clauses (i) and (ii) of subparagraph
18 (A) of this paragraph, when the number of quarters in
19 any period is an odd number, such number shall be
20 reduced by one, and a quarter shall not be counted as
21 part of any period if any part of such quarter was
22 included in a prior period of disability unless such
23 quarter was a quarter of coverage.”

24 (e) The first sentence of section 222(b)(1) of such
25 Act is amended by inserting “(other than such an individual

1 *whose disability is blindness as defined in section 216(i)*
 2 *(1))” after “an individual entitled to disability insurance*
 3 *benefits”.*

4 *(f) Section 223(a)(1) of such Act is amended—*

5 *(1) by striking out the comma at the end of sub-*
 6 *paragraph (B) and inserting in lieu thereof “or is blind*
 7 *(within the meaning of ‘blindness’ as defined in section*
 8 *216(i)(1)),”;*

9 *(2) by striking out “the month in which he attains*
 10 *age 65” and inserting in lieu thereof “in the case of*
 11 *any individual other than an individual whose disability*
 12 *is blindness (as defined in section 216(i)(1)), the*
 13 *month in which he attains age 65”;* and

14 *(3) by striking out the second sentence.*

15 *(g) Section 223(c)(1) of such Act is amended to read*
 16 *as follows:*

17 *“(1) An individual shall be insured for disability*
 18 *insurance benefits in any month if—*

19 *“(A) he would have been a fully insured in-*
 20 *dividual (as defined in section 214) had he attained*
 21 *age 62 and filed application for benefits under sec-*
 22 *tion 202(a) on the first day of such month, and*
 23 *(i) he had not less than 20 quarters of coverage*
 24 *during the 40-quarter period which ends with the*
 25 *quarter in which such month occurred, or (ii) if*

1 *such month ends before the quarter in which he*
 2 *attains (or would attain) age 31, not less than one-*
 3 *half (and not less than 6) of the quarters during the*
 4 *period ending with the quarter in which such month*
 5 *occurred and beginning after he attained the age of*
 6 *21 were quarters of coverage, or (if the number of*
 7 *quarters in such period is less than 12) not less than*
 8 *6 of the quarters in the 12-quarter period ending*
 9 *with such quarter were quarters of coverage, or*

10 *“(B) he is blind (within the meaning of ‘blind-*
 11 *ness’ as defined in section 216(i)(1)) and has not*
 12 *less than 6 quarters of coverage in the period which*
 13 *ends with the quarter in which such month occurs.*

14 *For purposes of clauses (i) and (ii) of subparagraph*
 15 *(A) of this paragraph, when the number of quarters in*
 16 *any period is an odd number, such number shall be re-*
 17 *duced by one, and a quarter shall not be counted as part*
 18 *of any period if any part of such quarter was included*
 19 *in a period of disability unless such quarter was a quar-*
 20 *ter of coverage.”*

21 *(h) Section 223(d)(1)(B) of such Act is amended to*
 22 *read as follows:*

23 *“(B) blindness (as defined in section 216(i)(1)).”*

24 *(i) The second sentence of section 223(d)(4) of such*
 25 *Act is amended by inserting “(other than an individual whose*

1 *disability is blindness, as defined in section 216(i)(1))*” im-
 2 *mediately after “individual”.*

3 *(j) In the case of an insured individual who is under*
 4 *a disability as defined in section 223(d)(1)(B) of the Social*
 5 *Security Act, who is entitled to monthly insurance benefits*
 6 *under section 202(a) or 223 of such Act for a month after*
 7 *September 1977, and who applies for a recomputation of his*
 8 *disability insurance benefit or for a disability insurance bene-*
 9 *fit (if he is entitled under such section 202(a)) after Sep-*
 10 *tember 1977, the Secretary shall, notwithstanding the provi-*
 11 *sions of section 215(f)(1) of such Act, make a recomputa-*
 12 *tion of such benefit if such recomputation results in a higher*
 13 *primary insurance amount.*

14 *(k) Except as otherwise provided in this section, the*
 15 *amendments made by this section shall apply with respect*
 16 *to monthly benefits and lump-sum death benefits payable*
 17 *under title II of the Social Security Act for months after*
 18 *September 1977.*

19 MONTHLY BENEFITS PAYABLE UNDER TITLE II

20 SEC. 132. (a) Section 224 of the Social Security Act
 21 *is repealed.*

22 (b). The amendment made by this section shall be effec-
 23 *tive with respect to monthly benefits payable under title*
 24 *II of the Social Security Act for months beginning after the*
 25 *date of enactment of this Act.*

1 *COVERAGE FOR POLICEMEN AND FIREMEN IN MISSISSIPPI*

2 *SEC. 133. Section 218(p)(1) of the Social Secu-*
 3 *rity Act is amended by inserting "Mississippi," after*
 4 *"Maryland,".*

5 *COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR*

6 *PUBLIC EMPLOYEES IN NEW JERSEY*

7 *SEC. 134. Section 218(d)(6)(C) of the Social Security*
 8 *Act is amended by inserting "New Jersey," after "Nevada,".*

9 *COST-OF-LIVING INCREASES*

10 *SEC. 135. (a) Effective with respect to monthly benefits*
 11 *and lump-sum death payments payable for months after*
 12 *November 1977, section 215(i) of the Social Security Act is*
 13 *amended by—*

14 *(1) striking out paragraph (1) and inserting in*
 15 *lieu thereof the following:*

16 *"(i) (1) For purposes of this subsection—*

17 *"(A) the term 'base period' means (i) the three-*
 18 *month period ending on March 31, 1977, (ii) the month*
 19 *of August in 1977 or in any succeeding year, (iii) the*
 20 *month of February in 1978 or in any succeeding year,*
 21 *or (iv) any other month which is the effective month of*
 22 *a general benefit increase under this title;*

23 *"(B) the term 'cost-of-living computation period'*
 24 *means (i) a base period, as defined in subparagraph*
 25 *(A) (other than clauses (i) and (iv) thereof) which*

1 occurs after July 1977 in which the Consumer Price
 2 Index prepared by the Department of Labor exceeds,
 3 by not less than 4 per centum, such index in the later of
 4 (I) the last prior cost-of-living computation period which
 5 was established under this subparagraph (whether un-
 6 der the law in effect in November 1977, or after Novem-
 7 ber 1977) or (II) the most recent month which was the
 8 effective month of a general benefit increase under this
 9 title, or (ii) a base period, as so defined, which occurs
 10 after July 1977, in which such Consumer Price Index
 11 exceeds, by not less than 3 per centum, such index in the
 12 later of (I) or (II), and in which more than 5 months
 13 have elapsed since such later period or month and up
 14 to but not including the base period being considered;
 15 except that there shall be no cost-of-living computation
 16 period in any calendar year if in the year prior to such
 17 year a law has been enacted providing a general benefit
 18 increase under this title or if in such prior year such a
 19 general benefit increase becomes effective; and

20 “(C) the Consumer Price Index for a base period
 21 of 3 months or a cost-of-living computation period of 3
 22 months shall be the arithmetical mean of such index for
 23 the 3 months in such period.”;

24 (2) striking out so much of paragraph (2) as pre-
 25 cedes the word “increase” and inserting in lieu thereof:

1 “(2)(A)(i) The Secretary shall determine
2 each year beginning with 1977 (subject to the limita-
3 tion in paragraph (1)(B)) whether a base period
4 (as defined in paragraph (1)(A) (ii) or (iii)) in
5 such year is a cost-of-living computation period.

6 “(ii) If the Secretary determines that a base pe-
7 riod in any year is a cost-of-living computation
8 period, he shall, effective with the month of June of
9 such year, where such period is the month of Febru-
10 ary of such year, and effective with the month of
11 December of such year, where such period is the
12 month of August of such year, as provided in sub-
13 paragraph (B);”;

14 (3) striking out “quarter” each place it appears
15 after the word “increase” in the penultimate sentence of
16 subparagraph (2)(A)(ii) and inserting in lieu thereof,
17 “period”;

18 (4) striking out “calendar period” in such penulti-
19 mate sentence (as previously amended) and inserting in
20 lieu thereof “month”;

21 (5) striking out “(1)(A)(ii)” in such penultimate
22 sentence and inserting in lieu thereof “(1)(A)(iv)”;

23 (6) striking out “months after May” and all that
24 follows in subparagraph (2)(B) and inserting in lieu
25 thereof: “months (1) after May of the calendar year in

1 *which occurred such cost-of-living computation period in*
 2 *the case of an increase based on a cost-of-living computa-*
 3 *tion period of the month of February of such year, or*
 4 *(II) after November of that year in the case of an in-*
 5 *crease based on a cost-of-living computation period of the*
 6 *month of August of such year, and in the case of lump-*
 7 *sum death payments with respect to deaths occurring*
 8 *after such May or November,";*

9 *(7) striking out "quarter" each place it appears in*
 10 *subparagraph (B), (C), and (D) of subsection (2)*
 11 *and inserting in lieu thereof "period"; and*

12 *(8) striking out "(i)(A)(ii)" in subparagraph (2)*
 13 *(C) and inserting in lieu thereof "(i)(A)(iv)".*

14 *(b) Effective with determinations after 1977, section*
 15 230 *of the Social Security Act is amended by striking out*
 16 *subsection (a) and inserting in lieu thereof:*

17 *"(a) If the Secretary institutes pursuant to section 215*
 18 *(i) one or more benefit increases which become effective in*
 19 *any calendar year, he shall after October 1 and not later*
 20 *than November 1 of such year determine and publish in the*
 21 *Federal Register the contribution and benefit base determined*
 22 *under subsection (b) which shall be effective with respect to*
 23 *remuneration paid after such year and taxable years begin-*
 24 *ning after such year."*

1 (c) *Effective with determinations after 1977, section 203*

2 (f)(8)(A) *of such Act is amended to read as follows:*

3 “(A) *If the Secretary institutes pursuant to sec-*
 4 *tion 215(i) one or more benefit increases which become*
 5 *effective in any calendar year, he shall after October 1*
 6 *and not later than November 1 of such year determine*
 7 *and publish in the Federal Register a new exempt*
 8 *amount which shall be effective (unless such new exempt*
 9 *amount is prevented from becoming effective by subpara-*
 10 *graph (C) of this paragraph) with respect to any in-*
 11 *dividual’s taxable year which ends after such calendar*
 12 *year.”.*

13 (d) *Section 1618(b) of such Act is amended to read as*
 14 *follows:*

15 “(b) *The Secretary shall not find that a State has failed*
 16 *to meet the requirements imposed by paragraph (4) of sub-*
 17 *section (a) with respect to the levels of its supplementary*
 18 *payments for a particular month or months if the State’s*
 19 *expenditures for such payments in the twelve-month period*
 20 *(within which such month or months fall)—*

21 “(1) *beginning on the effective date of any increase*
 22 *in the level of supplemental security income benefits pur-*
 23 *suant to section 1617 and ending before July 1, 1978,*

1 are not less than its expenditures for such payments in
2 the preceding twelve-month period, or

3 “(2) beginning on July 1, 1978, and July 1 of
4 each year thereafter are not less than its expenditures for
5 such payments in the twelve-month period beginning
6 July 1, 1977, and ending June 30, 1978, or, if the first
7 such payments are made by a State after July 1977, not
8 less than its expenditures for such payments in the first
9 full twelve-month period beginning July 1 in which such
10 payments are made.”.

11 (e) Effective with respect to monthly benefits and lump-
12 sum death payments payable for months after December
13 1978, section 215(i) of the Social Security Act, as amended
14 by subsections (a) through (d) of this section and by section
15 104 of this Act, is further amended by—

16 (1) striking out so much of paragraph (2) as pre-
17 cedes “subparagraph (A)(i)(I)” thereof and inserting
18 in lieu thereof:

19 “(2)(A)(i) The Secretary shall determine each
20 year beginning with 1978 (subject to the limitation
21 in paragraph (1)(B)) whether a base period (as
22 defined in paragraph (1)(A)(ii) or (iii)) in such
23 year is a cost-of-living computation period.

24 “(ii) If the Secretary determines that a base

1 *period in any year is a cost-of-living computation*
 2 *period, he shall, effective with the month of June of*
 3 *such year, where such period is the month of Febru-*
 4 *ary of such year, and effective with the month of De-*
 5 *cember of such year, where such period is the month*
 6 *of August of such year, as provided in subpara-*
 7 *graph (B), increase—”;*

8 *(2) striking out “quarter” each place it appears in*
 9 *the penultimate sentence of subparagraph (2)(A)(ii)*
 10 *and inserting in lieu thereof, “period”;*

11 *(3) striking out “(1)(A)(ii)” in such penulti-*
 12 *mate sentence and inserting in lieu thereof “(1)(A)*
 13 *(iv)”;*

14 *(4) striking out “months after May” and all that*
 15 *follows in subparagraph (2)(A)(iii) and inserting in*
 16 *lieu thereof: “months (I) after May of that year in the*
 17 *case of an increase based on a cost-of-living computation*
 18 *period of the month of February of such year, or (II)*
 19 *after November of that year in the case of an increase*
 20 *based on a cost-of-living computation period of the*
 21 *month of August of such year, and in the case of lump-*
 22 *sum death payments with respect to deaths occurring*
 23 *after such May or November.”.*

1 *TITLE II—MISCELLANEOUS*2 *STUDIES AND REPORTS*

3 *SEC. 201. (a) The Secretary of Labor, in consultation*
4 *with the Secretary of Health, Education, and Welfare, shall*
5 *immediately study the need to develop a special Consumer*
6 *Price Index for the elderly. Not later than 6 months after*
7 *the date of enactment of this Act, the Secretary of Labor and*
8 *the Secretary of Health, Education, and Welfare shall each*
9 *submit to the Congress a report of his findings and recom-*
10 *mendations with respect to the need for such an index, to-*
11 *gether with an estimate of the financial impact that such an*
12 *index would have on the costs of the programs established*
13 *under the Social Security Act.*

14 *(b)(1) The Secretary of Health, Education, and Wel-*
15 *fare, in consultation with the Task Force on Sex Discrimi-*
16 *nation in the Department of Justice, shall make a detailed*
17 *study, within the Department of Health, Education, and Wel-*
18 *fare and the Social Security Administration, of proposals to*
19 *eliminate dependency as a factor in the determination of en-*
20 *titlement to spouse's benefits under the program established*
21 *under title II of the Social Security Act, and of proposals*
22 *to bring about equal treatment for men and women in any*
23 *and all respects under such program, taking into account*
24 *the practical effects (particularly the effect upon women's*
25 *entitlement to such benefits) of factors such as—*

1 (A) changes in the nature and extent of women's
2 participation in the labor force,

3 (B) the increasing divorce rate, and

4 (C) the economic value of women's work in the
5 home.

6 The study shall include appropriate cost analyses.

7 (2) The Secretary shall submit to the Congress within
8 six months after the date of enactment of this Act, a full
9 report on the study carried out under paragraph (1).

10 APPOINTMENT OF HEARING EXAMINERS

11 SEC. 202. The persons who were appointed to serve as
12 hearing examiners under section 1631(d)(2) of the Social
13 Security Act (as in effect prior to January 2, 1976), and
14 who by section 3 of Public Law 94-202 were deemed to be
15 appointed under section 3105 of title 5, United States Code
16 (with such appointments terminating no later than at the
17 close of the period ending December 31, 1978), shall be
18 deemed appointed to career-absolute positions as hearing
19 examiners under and in accordance with section 3105 of
20 title 5, United States Code, with the same authority and
21 tenure (without regard to the expiration of such period) as
22 hearing examiners appointed directly under such section
23 3105, and shall receive compensation at the same rate as
24 hearing examiners appointed by the Secretary of Health,
25 Education, and Welfare directly under such section 3105.

1 *All of the provisions of title 5, United States Code, and the*
2 *regulations promulgated pursuant thereto, which are applica-*
3 *ble to hearing examiners appointed under such section 3105,*
4 *shall apply to the persons described in the preceding sentence.*

5 *REPORT OF ADVISORY COUNCIL ON SOCIAL SECURITY*

6 *SEC. 203. Notwithstanding the provisions of section*
7 *706(d) of the Social Security Act, the report of the*
8 *Advisory Council on Social Security which is due not later*
9 *than January 1, 1979, may be filed at any date prior to*
10 *October 1, 1979.*

11 *VETERANS' PENSION AND COMPENSATION*

12 *SEC. 204. (a) Subsection (g) of section 415 of title 38,*
13 *United States Code, is amended by adding at the end thereof*
14 *the following new paragraph:*

15 *“(4) In determining the annual income of any individ-*
16 *ual who is entitled to monthly benefits under the insurance*
17 *program established under title II of the Social Security*
18 *Act, the Administrator, before applying paragraph (1)(G)*
19 *of this subsection, shall disregard any part of such benefits*
20 *which results from (and would not be payable but for) any*
21 *cost-of-living increase in such benefits occurring pursuant to*
22 *section 215(i) of the Social Security Act which occurs after*
23 *September 1, 1978, and after the date on which such individ-*
24 *ual becomes eligible for dependency and indemnity compensa-*
25 *tion under this section.”.*

1 (b) Section 503 of title 38, United States Code, is
2 amended by adding at the end thereof the following new
3 subsection:

4 “(d) In determining the annual income of any individ-
5 ual who is entitled to monthly benefits under the insurance
6 program established under title II of the Social Security
7 Act, the Administrator, before applying subsection (a)(6)
8 of this section, shall disregard any part of such benefits which
9 results from (and would not be payable but for) any cost-of-
10 living increase in such benefits occurring pursuant to sec-
11 tion 215(i) of the Social Security Act which occurs after
12 September 1, 1978, and after the date on which such in-
13 dividual becomes eligible for pension under this chapter.”.

14 (c) In determining the annual income of any person for
15 purposes of determining the continued eligibility of that per-
16 son for, and the amount of, pension payable under the first
17 sentence of section 9(b) of the Veterans' Pension Act of
18 1959, the Administrator of Veterans' Affairs shall disregard,
19 if that person is entitled to monthly benefits under the insur-
20 ance program established under title II of the Social Security
21 Act, any part of such benefits which results from (and would
22 not be payable but for) any cost-of-living increase in such
23 benefits occurring pursuant to section 215(i) of the Social
24 Security Act which occurs after September 1, 1978.

25 (d) The amendments made by this section shall apply

1 *with respect to annual income determinations made pur-*
 2 *suant to sections 415(g) and 503 (as in effect on and after*
 3 *June 30, 1960) of title 38, United States Code, and pur-*
 4 *suant to section 9(b) of the Veterans' Pension Act of*
 5 *1959, for calendar years beginning after September 1, 1978.*

6 **TITLE III—PROVISIONS RELATING TO CER-**
 7 **TAIN STATE WELFARE AND SERVICE**
 8 **PROGRAMS RECEIVING FEDERAL FINAN-**
 9 **CIAL ASSISTANCE**

10 **FISCAL RELIEF FOR STATES AND POLITICAL SUBDIVISIONS**
 11 **THEREOF WITH RESPECT TO COSTS OF WELFARE**
 12 **PROGRAMS**

13 **SEC. 301.** *Section 403 of the Social Security Act is*
 14 *amended—*

15 *(1) in subsection (a), by adding at the end thereof*
 16 *the following new paragraph:*

17 *“In the case of calendar quarters beginning after Septem-*
 18 *ber 30, 1977, and prior to April 1, 1978, the amount to be*
 19 *paid to each State (as determined under the preceding pro-*
 20 *visions of this subsection or section 1118, as the case may be)*
 21 *shall be increased in accordance with the provisions of sub-*
 22 *section (i) of this section.”; and*

23 *(2) by adding at the end thereof, the following new*
 24 *subsection:*

25 *“(i) (1) In the case of any calendar quarter which*

1 *begins after September 30, 1977, and prior to April 1,*
2 *1978, the amount payable (as determined under subsection*
3 *(a) or section 1118, as the case may be) to each State, which*
4 *has a State plan approved under this part, shall (subject to*
5 *the succeeding paragraphs of this subsection) be increased*
6 *by an amount equal to the sum of the following:*

7 “(A) *an amount which bears the same ratio to*
8 *\$93,500,000 as the amount expended as aid to families*
9 *with dependent children under the State plan of such*
10 *State during the month of December 1976 bears to the*
11 *amount expended as aid to families with dependent chil-*
12 *dren under the State plans of all States during such*
13 *month, and*

14 “(B) (i) *in the case of Puerto Rico, Guam, and the*
15 *Virgin Islands, an amount equal to the amount deter-*
16 *mined under subparagraph (A) with respect to such*
17 *State, or*

18 “(ii) *in the case of any other State, an amount which*
19 *bears the same ratio to \$93,500,000, minus the amounts*
20 *determined under clause (i) of this subparagraph, as*
21 *the amount allocated to such State, under section 106 of*
22 *the State and Local Fiscal Assistance Act of 1972 for*
23 *the most recent entitlement period for which allocations*
24 *have been made under such section prior to the date of*
25 *enactment of this subsection, bears to the total of the*

1 amounts allocated to all States under such section 106
2 for such period.

3 “(2) As a condition of any State receiving an increase,
4 by reason of the application of the foregoing provisions of
5 this subsection, in the amount determined for such State
6 pursuant to subsection (a) or under section 1118 (as the
7 case may be), such State must agree to pay to any political
8 subdivision thereof which participates in the cost of the
9 State’s plan, approved under this part, during any calendar
10 quarter with respect to which such increase applies, so much
11 of such increase as does not exceed 90 per centum of such
12 political subdivision’s financial contribution to the State’s
13 plan for such quarter.

14 “(3) Notwithstanding any other provision of this part,
15 the amount payable to any State by reason of the preceding
16 provisions of this subsection for calendar quarters prior to
17 April 1, 1978, shall be made in a single installment, which
18 shall be payable as shortly after October 1, 1977, as is admin-
19 istratively feasible.”.

20 INCENTIVE ADJUSTMENTS FOR QUALITY CONTROL IN FED-
21 ERAL FINANCIAL PARTICIPATION IN AID TO FAMILIES
22 WITH DEPENDENT CHILDREN PROGRAMS

23 SEC. 302. (a) Section 403 of the Social Security Act is
24 amended by adding after subsection (i) (as added by section
25 301 of this Act) the following new subsection:

1 *"Incentive Adjustments in Federal Financial Participation*

2 *"(j) If the dollar error rate of excess payments of aid*
3 *furnished by a State under its State plan, approved under*
4 *this part, with respect to any six-month period, as based on*
5 *samples and evaluations thereof, is—*

6 *"(1) at least 4 per centum, the amount of the*
7 *Federal financial participation in the expenditures made*
8 *by the State in carrying out such plan during such*
9 *period shall be determined without regard to the provi-*
10 *sions of this subsection; or*

11 *"(2) less than 4 per centum, the amount of the*
12 *Federal financial participation in the expenditures made*
13 *by the State in carrying out such plan during such*
14 *period shall be the amount determined without regard to*
15 *this subsection, plus, of the amount by which such ex-*
16 *penditures are less than they would have been if the*
17 *erroneous excess payments of aid had been at a rate of*
18 *4 per centum—*

19 *"(A) 10 per centum of the Federal share of*
20 *such amount, in case such rate is not less than 3.5*
21 *per centum,*

22 *"(B) 20 per centum of the Federal share of*
23 *such amount, in case such rate is at least 3.0 per*
24 *centum but less than 3.5 per centum,*

25 *"(C) 30 per centum of the Federal share of*

1 *such amount, in case such rate is at least 2.5 per*
 2 *centum but less than 3.0 per centum,*

3 *“(D) 40 per centum of the Federal share of*
 4 *such amount, in case such rate is at least 2.0 per*
 5 *centum but less than 2.5 per centum,*

6 *“(E) 50 per centum of the Federal share of*
 7 *such amount, in case such rate is less than 2.0 per*
 8 *centum.”.*

9 *(b) Payments may be made under the amendments*
 10 *made by subsection (a) only in the case of periods com-*
 11 *mencing on or after January 1, 1978.*

12 *ACCESS TO WAGE INFORMATION*

13 *SEC. 303. (a) Part A of title IV of the Social Security*
 14 *Act is amended by inserting after section 410 the following*
 15 *new section:*

16 *“ACCESS TO WAGE INFORMATION*

17 *“SEC. 411. (a) Notwithstanding any other provision of*
 18 *law, the Secretary shall make available to States and political*
 19 *subdivisions thereof wage information contained in the rec-*
 20 *ords of the Social Security Administration which is neces-*
 21 *sary (as determined by the Secretary in regulations) for*
 22 *purposes of determining an individual's eligibility for aid or*
 23 *services, or the amount of such aid or services, under a State*
 24 *plan for aid and services to needy families with children,*

1 approved under this part, and which is specifically requested
2 by such State or political subdivision for such purposes.

3 “(b) The Secretary shall establish such safeguards as
4 are necessary (as determined by the Secretary under regula-
5 tions) to insure that information made available under the
6 provisions of this section is used only for the purposes au-
7 thorized by this section.”.

8 (b) Section 3304(a) of the Federal Unemployment Tax
9 Act is amended by redesignating paragraph (16) as para-
10 graph (17) and by inserting after paragraph (15) the fol-
11 lowing new paragraph:

12 “(16)(A) wage information contained in the rec-
13 ords of the agency administering the State law which is
14 necessary (as determined by the Secretary of Health,
15 Education, and Welfare in regulations) for purposes of
16 determining an individual's eligibility for aid or services,
17 or the amount of such aid or services, under a State plan
18 for aid and services to needy families with children ap-
19 proved under part A of title IV of the Social Security
20 Act, shall be made available to a State or political sub-
21 division thereof, when such information is specifically re-
22 quested by such State or political subdivision for such
23 purpose, and

24 “(B) such safeguards are established as are nec-
25 essary (as determined by the Secretary of Health,

1 *Education, and Welfare in regulations) to insure that*
2 *such information is used only for the purposes au-*
3 *thorized under subparagraph (A);”.*

4 *(c) Section 402(a) of the Social Security Act is*
5 *amended—*

6 *(1) by striking out the word “and” at the end of*
7 *paragraph (27);*

8 *(2) by striking out the period at the end of para-*
9 *graph (28) and inserting in lieu thereof a semicolon*
10 *and the word “and”; and*

11 *(3) by adding at the end thereof the following new*
12 *paragraph:*

13 *“(29) Effective October 1, 1979, provide that wage*
14 *information available from the Social Security Admin-*
15 *istration under the provisions of section 411 of this Act,*
16 *and available (under the provisions of section 3304*
17 *(a)(16) of the Federal Unemployment Tax Act) from*
18 *agencies administering State unemployment compensation*
19 *laws, shall be requested and utilized to the extent per-*
20 *mitted under the provisions of such sections; except that*
21 *the State shall not be required to request such informa-*
22 *tion from the Social Security Administration where such*
23 *information is available from the agency administering*
24 *the State unemployment compensation laws.”.*

1 (d) The amendments made by this section shall be
2 effective on the date of the enactment of this Act.

3 STATE DEMONSTRATION PROJECTS

4 SEC. 304. Section 1115 of the Social Security Act is
5 amended—

6 (1) by inserting “(a)” after “SEC. 1115.”;

7 (2) by redesignating subsections (a) and (b) as
8 paragraphs (1) and (2), respectively; and

9 (3) by adding at the end thereof the following new
10 subsection:

11 “(b)(1) In order to permit the States to achieve more
12 efficient and effective use of funds for public assistance, to re-
13 duce dependency, and to improve the living conditions and
14 increase the incomes of individuals who are recipients of
15 public assistance, any State having an approved plan under
16 part A of title IV may, subject to the provisions of this sub-
17 section, establish and conduct not more than three demon-
18 stration projects. In establishing and conducting any such
19 project the State shall—

20 “(A) provide that not more than one such project
21 be conducted on a statewide basis;

22 “(B) provide that in making arrangements for
23 public service employment—

24 “(i) appropriate standards for the health,

1 *safety, and other conditions applicable to the per-*
2 *formance of work and training on such project are*
3 *established and will be maintained,*

4 *“(ii) such project will not result in the displace-*
5 *ment of employed workers,*

6 *“(iii) with respect to such project the condi-*
7 *tions of work, training, education, and employment*
8 *are reasonable in the light of such factors as the type*
9 *of work, geographical region, and proficiency of the*
10 *participant, and*

11 *“(iv) appropriate workmen’s compensation pro-*
12 *tection is provided to all participants;*

13 *“(C) provide that participation in any such project*
14 *by any individual receiving aid to families with de-*
15 *pendent children be voluntary.*

16 *“(2) Any State which establishes and conducts demon-*
17 *stration projects under this subsection, may, subject to para-*
18 *graph (3), with respect to any such project—*

19 *“(A) waive, subject to paragraph (3), any or all*
20 *of the requirements of sections 402(a)(1) (relating*
21 *to statewide operation), 402(a)(3) (relating to admin-*
22 *istration by a single State agency), 402(a)(8) (relating*
23 *to disregard of earned income), except that no such*
24 *waiver of 402(a)(8) shall operate to waive any amount*
25 *in excess of one-half of the earned income of any indi-*

1 vidual, and 402(a)(19) (relating to the work incentive
2 program);

3 “(B) subject to paragraph (4) use to cover the
4 costs of such projects such funds as are appropriated
5 for payment to any such State with respect to the assist-
6 ance which is or would, except for participation in a
7 project under this subsection, be payable to individuals
8 participating in such projects under part A of title IV
9 for any fiscal year in which such demonstration projects
10 are conducted; and

11 “(C) use such funds as are appropriated for pay-
12 ments to States under the State and Local Fiscal Assist-
13 ance Act of 1972 for any fiscal year in which such
14 demonstration projects are conducted to cover so much
15 of the costs of salaries for individuals participating
16 in public service employment as is not covered through
17 the use of funds made available under subparagraph
18 (B).

19 “(3)(A) Any State which wishes to establish and con-
20 duct demonstration projects under the provisions of this sub-
21 section shall submit an application to the Secretary in such
22 form and containing such information as the Secretary may
23 require. Such State shall be authorized to proceed with such
24 project (i) when such application has been approved by the
25 Secretary, or (ii) forty-five days after the date on which

1 *such application is submitted unless the Secretary, during*
2 *such forty-five-day period, disapproves such application.*

3 “(B) Notwithstanding the provisions of paragraph (2)
4 (A), the Secretary may review any waiver made by a State
5 under such paragraph. Upon a finding that any such waiver
6 is inconsistent with the purposes of this subsection and the
7 purposes of part A of title IV, the Secretary may disapprove
8 such waiver. The demonstration project under which any
9 such disapproved waiver was made by such State shall be
10 terminated not later than the last day of the month following
11 the month in which such waiver was disapproved.

12 “(4) Any amount payable to a State under section 403
13 (a) on behalf of an individual participating in a project
14 under this section shall not be increased by reason of the
15 participation of such individual in any demonstration proj-
16 ect conducted under this subsection over the amount which
17 would be payable if such individual were receiving aid to
18 families with dependent children and not participating in
19 such project.

20 “(5) Participation in a project established under this
21 section shall not be considered to constitute employment for
22 purposes of any finding with respect to ‘unemployment’ as
23 that term is used in section 407.

24 “(6) Any demonstration project established and con-
25 ducted pursuant to the provisions of this subsection shall be

1 conducted for not longer than two years. All demonstration
2 projects established and conducted pursuant to the provisions
3 of this subsection shall be terminated not later than Septem-
4 ber 30, 1980.”.

5 EARNED INCOME DISREGARD

6 SEC. 305. (a) Section 402(a)(7) of the Social Security
7 Act is amended by striking out “any expenses” and inserting
8 in lieu thereof “any child care expenses”.

9 (b) Section 402(a)(8)(A)(ii) of the Social Security
10 Act is amended to read as follows:

11 “(ii) in the case of earned income of a
12 dependent child not included under clause (i),
13 a relative receiving such aid, and any other
14 individual (living in the same home as such
15 relative and child) whose needs are taken into
16 account in making such determination, (I) the
17 first \$60 of earned income for individuals who
18 are employed at least forty hours per week, or
19 at least thirty-five hours per week and are earn-
20 ing at least \$92 per week, and (II) the first \$30
21 of earned income for individuals not meeting the
22 criteria of subclause (I), plus (III) in each
23 case, one-third of up to \$300 of additional earn-
24 ings, and one-fifth of such additional earnings
25 in excess of \$300, except that in each case an

1 *amount equal to the reasonable child care ex-*
2 *penses incurred (subject to such limitations as*
3 *the Secretary may prescribe in regulations) shall*
4 *first be deducted before computing such individ-*
5 *ual's earned income (except that the provisions*
6 *of this clause (ii) shall not apply to earned*
7 *income derived from participation on a project*
8 *maintained under the programs established by*
9 *section 432(b) (2) and (3)); and''.*

10 *(c)(1) The amendments made by this section shall*
11 *become effective on January 1, 1978.*

12 *(2) A State plan for aid and services to needy families*
13 *with children shall not be regarded as failing to comply*
14 *with the requirements imposed with respect to approved State*
15 *plans under part A of title IV of the Social Security Act,*
16 *and the amount payable to any State under such part shall*
17 *not be decreased, solely because such State plan fails to com-*
18 *ply with the requirements of paragraph (7) or (8) of section*
19 *402(a) of the Social Security Act as in effect after the date*
20 *of enactment of this Act and prior to January 1, 1978, if*
21 *such State plan complies with the requirements of such*
22 *paragraphs or amended by this section.*

1 *COVERAGE UNDER MEDICARE OF CERTAIN DEVICES SERV-*
 2 *ING THE SAME OR SIMILAR PURPOSE AS THAT PER-*
 3 *FORMED BY A WHEELCHAIR*

4 *SEC. 306. (a) Section 1861(s)(6) of the Social Se-*
 5 *curity Act is amended by inserting after the word "wheel-*
 6 *chairs" the following: "(and devices designed to serve the*
 7 *same or similar purpose as that performed by a wheelchair)".*

8 *(b) The amendment made by this section shall be ef-*
 9 *fective in the case of services furnished after the date of en-*
 10 *actment of this Act.*

11 *FEDERAL ELECTION CAMPAIGN ACT AMENDMENTS*

12 *SEC. 307. (a) Section 328 of the Federal Election*
 13 *Campaign Act of 1971 (2 U.S.C. 441i) is amended—*

14 *(1) by inserting "(a)" immediately after "SEC.*
 15 *328.", and*

16 *(2) by adding at the end thereof the following new*
 17 *subsections:*

18 *"(b) If an honorarium payable to a person is paid in-*
 19 *stead at his request to a charitable organization selected by*
 20 *payor from a list of 5 or more charitable organizations pro-*
 21 *vided by that person, that person shall not be treated, for*
 22 *purposes of subsection (a), as accepting that honorarium.*

1 *For purposes of this subsection, the term 'charitable or-*
 2 *ganization' means an organization described in section 170*
 3 *(c) of the Internal Revenue Code of 1954.*

4 *“(c) For purposes of determining the aggregate amount*
 5 *of honoraria received by a person during any calendar year,*
 6 *amounts returned to the person paying an honorarium before*
 7 *the close of the calendar year in which it was received shall*
 8 *be disregarded.*

9 *“(d) For purposes of paragraph (2) of subsection (a),*
 10 *an honorarium shall be treated as accepted only in the year in*
 11 *which that honorarium is received.”.*

12 *(b) The amendments made by subsection (a) shall ap-*
 13 *ply with respect to honoraria received after December 31,*
 14 *1976.*

15 ***TITLE IV—COLLEGE TUITION TAX RELIEF***

16 ***EXPENSES OF HIGHER EDUCATION***

17 ***SEC. 401. IN GENERAL.—****(a) Subpart A of part IV of*
 18 *subchapter A of chapter 1, of the Internal Revenue Code*
 19 *(relating to credits allowable) is amended by inserting before*
 20 *section 45 the following new section:*

21 ***“SEC. 44D. EXPENSES OF HIGHER EDUCATION.***

22 *“(a) GENERAL RULE.—There shall be allowed to an in-*
 23 *dividual, as a credit against the tax imposed by this chapter*
 24 *for the taxable year, an amount, determined under subsection*
 25 *(b), of the educational expenses paid by him during the tax-*

1 *able year to one or more eligible educational institutions for*
 2 *himself, his spouse, or any of his dependents (as defined in*
 3 *section 152).*

4 *“(b) LIMITATIONS.—*

5 *“(1) AMOUNT PER INDIVIDUAL.—The credit under*
 6 *subsection (a) for educational expenses of any individ-*
 7 *ual shall be an amount equal to so much of such ex-*
 8 *penses paid in taxable years beginning after Decem-*
 9 *ber 31, 1977, as does not exceed \$250.*

10 *“(2) PRORATION OF CREDIT WHERE MORE THAN*
 11 *ONE TAXPAYER PAYS EXPENSES.—If educational ex-*
 12 *penses of an individual are paid by more than one tax-*
 13 *payer during the taxable year, the credit allowable to*
 14 *each such taxpayer under subsection (a) shall be the*
 15 *same portion of the credit determined under paragraph*
 16 *(1) which the amount of educational expenses of such*
 17 *individual paid by the taxpayer during the taxable year*
 18 *is of the total amount of educational expenses of such*
 19 *individual paid by all taxpayers during the taxable year.*

20 *“(c) DEFINITIONS.—For purposes of this section—*

21 *“(1) EDUCATIONAL EXPENSES.—The term ‘educa-*
 22 *tional expenses’ means—*

23 *“(A) tuition and fees required for the enroll-*
 24 *ment or attendance of a student at an eligible educa-*
 25 *tional institution, and*

1 “(B) fees, books, supplies, and equipment re-
2 quired for courses of instruction at an eligible edu-
3 cational institution.

4 Such term does not include any amount paid, directly or
5 indirectly, for meals, lodging, or similar personal, living,
6 or family expenses. In the event an amount paid for
7 tuition or fees includes an amount for meals, lodging, or
8 similar expenses which is not separately stated, the por-
9 tion of such amount which is attributable to meals, lodg-
10 ing, or similar expenses shall be determined under regu-
11 lations prescribed by the Secretary.

12 “(2) *ELIGIBLE EDUCATIONAL INSTITUTION.*—The
13 term ‘eligible educational institution’ means—

14 “(A) an institution of higher education; or

15 “(B) a vocational school.

16 “(3) *INSTITUTION OF HIGHER EDUCATION.*—The
17 term ‘institution of higher education’ means the institu-
18 tions described in section 1202(a) or 491(b) of the
19 Higher Education Act of 1965.

20 “(4) *VOCATIONAL SCHOOL.*—The term ‘vocational
21 school’ means an area vocational education school as de-
22 fined in section 108(2) of the Vocational Education Act
23 of 1963.

24 “(d) *SPECIAL RULES.*—

25 “(1) *ADJUSTMENT FOR CERTAIN SCHOLARSHIPS*

1 *AND VETERANS BENEFITS.—The amounts otherwise*
2 *taken into account under subsection (a) as educational*
3 *expenses of any individual during any period shall be*
4 *reduced (before the application of subsection (b)) by*
5 *any amounts received by such individual during such*
6 *period as—*

7 *“(A) a scholarship or fellowship grant (within*
8 *the meaning of section 117(a)(1)) which under*
9 *section 117 is not includible in gross income, and,*

10 *“(B) an educational assistance allowance under*
11 *chapter 35 of title 38 of the United States Code or*
12 *education and training allowance under chapter 33*
13 *of title 38 of the United States Code.*

14 *“(2) GRADUATE, NONCREDIT, AND RECREA-*
15 *TIONAL, ETC., COURSES.—Amounts paid for educational*
16 *expenses of any individual shall be taken into account*
17 *under subsection (a) only to the extent such expenses*
18 *are attributable to courses of instruction for which credit*
19 *is allowed toward a baccalaureate degree by an institu-*
20 *tion of higher education or toward a certificate of re-*
21 *quired course work at a vocational school and are not*
22 *attributable to any graduate program of such individual.*

23 *“(3) APPLICATION WITH OTHER CREDITS.—The*
24 *credit allowed by subsection (a) to the taxpayer shall*
25 *not exceed the amount of the tax imposed on the taxable*

1 year by this chapter, reduced by the sum of the credits
2 allowable under this subpart (other than under this sec-
3 tion, section 31, and section 39).

4 “(4) *FULL-TIME STUDENT*.—No credit shall be
5 allowed under subsection (a) for amounts paid during
6 the taxable year for educational expenses with respect
7 to any individual unless that individual, during any four
8 calendar months during the calendar year in which the
9 taxable year of the taxpayer begins, is a full-time stu-
10 dent above the secondary level at an eligible educational
11 institution.

12 “(5) *SPOUSE*.—No credit shall be allowed under
13 subsection (a) for amounts paid during the taxable year
14 for educational expenses for the spouse of the taxpayer
15 unless—

16 “(A) the taxpayer is entitled to an exemption
17 for his spouse under section 151(b) for the taxable
18 year, or

19 “(B) the taxpayer files a joint return with his
20 spouse under section 6013 for the taxable year.

21 “(c) *DISALLOWANCE OF EXPENSES AS DEDUCTION*.—
22 No deduction shall be allowed under section 162 (relating
23 to trade or business expenses) for any educational expense
24 which (after the application of subsection (b)) is taken
25 into account in determining the amount of any credit allowed

1 under subsection (a). The preceding sentence shall not
 2 apply to the educational expenses of any taxpayer who, under
 3 regulations prescribed by the Secretary, elects not to apply
 4 the provisions of this section with respect to such expenses
 5 for the taxable year.

6 “(f) REGULATIONS.—The Secretary shall prescribe
 7 such regulations as may be necessary to carry out the pro-
 8 visions of this section.”.

9 (b) CONFORMING AMENDMENT.—

10 (1) The table of sections for such subpart A is
 11 amended by inserting immediately before the item relat-
 12 ing to section 45 the following:

13 “Sec. 44D. Expenses of higher education.”.

14 (2) Section 55(c)(2)(B) (relating to imposition
 15 of minimum tax) is amended by striking out “and” at
 16 the end of clause (ix), by striking out the period at
 17 the end of clause (x) and insertnig in lieu thereof a
 18 comma and the word “and”, and by adding at the end
 19 thereof the following new clause:

20 “(xi) section 44D (relating to credit for
 21 expenses for higher education.”.

22 (c) EFFECTIVE DATE.—The amendments made by this
 23 section shall apply to educational expenses paid after Decem-
 24 ber 31, 1977, in taxable years beginning after December 31,
 25 1977.

1 (d) *CREDIT TO BE REFUNDABLE.*—

2 (1) *Section 6401(b) is amended—*

3 (A) *by striking out “oil) and 43” and insert-*
4 *ing in lieu thereof “oil), 43”,*

5 (B) *by inserting “and 44D” after “credit”),*
6 *and*

7 (C) *by striking out “and 43,” and inserting*
8 *in lieu thereof “, 43, and 44D,”.*

9 (2) *Section 6201(a)(4) is amended—*

10 (A) *by striking out “OR 43” in the caption*
11 *and inserting in lieu thereof “, 43, OR 44D”,*

12 (B) *by striking out “oil) or section 43” and*
13 *inserting in lieu thereof “oil), section 43”, and*

14 (C) *by inserting “or section 44D,” after “in-*
15 *come),”*

16 (3) *This subsection (d) shall be effective only during*
17 *fiscal year 1978.*

18 *TITLE V—ERRONEOUS SUPPLEMENTAL*
19 *PAYMENTS*

20 *AUTHORIZATION OF APPROPRIATIONS*

21 *SEC. 501. (a) That, notwithstanding any other provi-*
22 *sion of law, the Secretary of Health, Education, and Welfare*
23 *is authorized and directed to pay to each State an amount*
24 *equal to the amount expended by such State for erroneous*
25 *supplemental payments to aged, blind, or disabled individuals*
26 *whenever, and to the extent to which, the Secretary through*

1 *an audit by the Department of Health, Education, and Wel-*
2 *fare determines that—*

3 (1) *such amount was paid by such State as a sup-*
4 *plemental payment during the calendar year 1974 pur-*
5 *suant to an agreement between the State and the Secretary*
6 *required by section 212 of the Act entitled “An Act to*
7 *extend the Renegotiation Act of 1951 for one year, and*
8 *for other purposes”, approved July 9, 1973, or such*
9 *amount was paid by such State as an optional State*
10 *supplementation, as defined in Section 1616 of the Social*
11 *Security Act, during the calendar year 1974,*

12 (2) *the erroneous payments were the result of good*
13 *faith reliance by such State upon erroneous or incom-*
14 *plete information supplied by the Department of Health,*
15 *Education, and Welfare, through the State data ex-*
16 *change, or good faith reliance upon incorrect payments*
17 *made by such department, and*

1 (3) recovery of the erroneous payments by such
2 State would be impossible or unreasonable.

3 (b) There are authorized to be appropriated such sums
4 as are necessary to carry out the provisions of this title.

Passed the House of Representatives October 27, 1977.

Attest: EDMUND L. HENSHAW, JR.,
Clerk.

Passed the Senate with an amendment November 4
(legislative day, November 1), 1977.

Attest: J. S. KIMMITT,
Secretary.

95TH CONGRESS
1ST SESSION

H. R. 9346

AN ACT

To amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes.

IN THE SENATE OF THE UNITED STATES

NOVEMBER 4 (legislative day, NOVEMBER 1), 1977

Ordered to be printed with the amendment of the
Senate

[JOINT COMMITTEE PRINT]

**SOCIAL SECURITY FINANCING AMENDMENTS
OF 1977**

H.R. 9346

**Comparison of House and Senate Bills
With Existing Law**



NOVEMBER 28, 1977

**Prepared by the staffs of the Subcommittee on Social
Security of the Committee on Ways and Means
and the Committee on Finance for the use
of the Conferees**

CONTENTS

	Page
I. Capsule comparison of House and Senate bills.....	1
II. Provisions to improve the financing of the old-age, survivors, and disability insurance program.....	6
A. Adjustments in tax rates.....	6
B. Allocations to disability insurance trust fund.....	7
C. Increases in earnings base.....	10
D. Reduction in taxes of certain employers.....	12
E. Standby guarantee of trust fund levels.....	12
III. Stabilization of replacement rates in the old-age, survivors, and disability insurance program (decoupling and new benefit formula).....	14
A. Computation of primary insurance amount.....	14
B. Maximum family benefits.....	16
C. Increase in old-age benefit amounts for delayed retirement.....	18
IV. Coverage under the old-age, survivors, and disability insurance program.....	18
A. Study concerning mandatory coverage of Federal employees.....	18
B. Study concerning mandatory coverage of State and local government employees.....	20
C. Exclusion from coverage of certain limited partnership income.....	20
D. Tax on employers of individuals who receive income from tips.....	20
E. Revocation of exemption from coverage by clergymen.....	20
F. International social security agreements (totalization).....	20
G. Validation of past social security coverage for certain Illinois policemen and firemen.....	22
H. Coverage of service under Wisconsin retirement system.....	22
V. Elimination of gender-based distinctions under the old-age, survivors, and disability insurance program.....	22
Part A.—Equalization of treatment of men and women under the program.....	22
1. Divorced husbands.....	22
2. Remarriage of surviving spouses before age 60.....	22
3. Illegitimate children.....	24
4. Transitional insured status.....	24
5. Special age-72 benefits.....	24
6. Fathers' insurance benefits.....	24
7. Effect of marriage on childhood disability beneficiary and on dependents and dependent survivors' benefits.....	26
8. Treatment of self-employment income in community property State.....	26
9. Credit for certain military service.....	26
Part B.—Effect of marriage, remarriage, and divorce on benefit eligibility.....	28
1. Eliminate marriage or remarriage as a factor in eligibility for or reduction or termination of benefits.....	28
2. Duration of marriage requirement.....	28
Part C.—Dependents benefits and study of gender-based differences.....	28
1. Study of gender-based differences under the social security program.....	28
2. Reduced benefits for spouses receiving Government pensions.....	30
VI. Changes in earnings test under the old-age, survivors, and disability insurance program.....	30
A. Liberalization of earnings test.....	30
B. Liberalization of foreign work test.....	30
VII. Combined social security and income tax annual reporting.....	32
A. Annual crediting of quarter of coverage.....	32
B. Amount required for quarter of coverage.....	32

IV

	Page.
VIII. Miscellaneous provisions.....	32
1. National Commission on Social Security—Advisory Council on Social Security.....	32
2. Elimination of certain optional payment procedures under social security.....	34
3. Early payment of social security and SSI benefit checks in certain situations.....	36
4. Taxation of corporations.....	36
5. Nonprofit organizations which failed to file waiver certificates.....	36
6. Benefits for blind persons.....	38
7. Administrative law judges.....	38
8. Study for CPI for the elderly.....	38
9. Elimination of workmen's compensation offset.....	38
10. Reimbursement under medicare for certain wheelchairs.....	40
IX. Provisions relating to public assistance programs.....	40
1. Fiscal relief for State and local welfare costs.....	40
2. Incentives for lowering AFDC error rates.....	40
3. Access by AFDC agencies to wage records.....	42
4. State welfare demonstration projects.....	42
5. AFDC earned income disregard.....	44
6. Federal liability for federally caused errors in State SSI supplementation (1974).....	44
X. Non-Social Security Act provisions.....	46
1. Prohibition against reducing veterans pensions because of social security increases.....	46
2. Tax credit for higher education expenses.....	46
3. Treatment of honoraria under Federal Election Act.....	46
XI. Tables.....	48
A. Short-term estimates prepared by the Social Security Administration Actuary.....	48
B. Short-term estimates prepared by the Congressional Budget Office.....	54
C. Long-term estimates prepared by the Social Security Administration Actuary.....	56
D. Non-OASDI provisions in Senate bill.....	60

I. CAPSULE COMPARISON OF HOUSE AND SENATE BILLS

I. FINANCING

Tax base.—Both bills increase the amount of earnings subject to social security taxes. However, the amount of the increase differs and the Senate bill, unlike the House bill, proposes a different ceiling on the amount of earnings subject to the employer tax from the ceiling on the amount of earnings subject to the employee tax:

Amount of annual earnings subject to social security taxes

Calendar year	Present law	House bill: Employees, employers, self-employed	Senate bill	
			Employees, self-employed	Employers
1978-----	\$17, 700	\$19, 900	\$17, 700	\$17, 700
1979-----	18, 900	22, 900	19, 500	50, 000
1980-----	20, 400	25, 900	21, 000	50, 000
1981-----	21, 900	29, 700	23, 100	50, 000
1982-----	23, 400	31, 800	24, 600	50, 000
1983-----	24, 900	33, 900	26, 700	50, 000
1984-----	26, 400	36, 000	28, 200	50, 000
1985-----	27, 900	38, 100	30, 300	75, 000

Under the Senate bill it is estimated that the employee wage base will reach the employer level of \$75,000 in the year 2002.

Tax rate—OASDHI.—The Senate bill has a small tax increase in 1979 but from 1981 (the first year of the House tax rate increase) through 1994, the rates under both bills are quite similar. In 1990 the House tax rate reaches its ultimate rate at 7.65 percent (for employees and employers, each) while the Senate bill stands at 7.55 percent (each). Subsequently, the Senate rate increases to 8.10 percent (each) in 1995, 8.70 percent (each) in 2001, and 9.20 percent (each) in 2011 and thereafter. The self-employment tax under both bills is returned to its original ratio of 1½ times the employee-employer rate. The Senate bill (Danforth floor amendment) also would generally limit State and local governmental and non-profit employers' tax liability to 90 percent of the liability under the law as amended by the bill but not less than 1979 liability under present law, effective beginning in calendar year 1979. The Danforth amendment further authorizes funds to be paid from general revenues to reimburse the trust funds for the amount by which the employer liability of States and non-profit organizations is reduced.

Allocation to disability insurance.—In the 1980's slightly more in revenues is allocated to DI under the Senate bill than under the House bill. (This is more than offset by increased disability expenditures because of two Senate

floor amendments.) In 1990 the ultimate allocation is reached under the House bill (1.10 percent each of payroll) which is just about equal to the Senate allocation in 1990–1994 (1.05 percent each). After 1994 the allocation under the Senate bill increases three more times reaching its ultimate allocation of 1.50 percent (each) in 2011 and thereafter.

Trust fund guarantee.—The House bill provides standby authority for automatic loans to the OASDI trust funds appropriating funds from Federal general revenues whenever the assets of a trust fund at the end of a calendar year amount to less than 25 percent of the outgo from the fund in the calendar year. A repayment of the loan is required and an additional tax is imposed under specific conditions. No comparable provision is in the Senate bill.

II. STABILIZATION OF BENEFITS

Decoupling.—Both the Senate and House bills modify the existing law provisions for increasing benefit amounts as the Consumer Price Index rises so that, in the future, those increases will apply only to persons already on the benefit rolls and not to the formula for computing initial benefits.

New benefit formula for computing initial benefits.—Both the Senate and House bills adopt new formulas for computing initial benefits based on the concept generally referred to as “wage indexing.” The Senate and House bills are basically the same, with the following exceptions: (1) The House bill is designed to provide replacement rates 5 percent below those estimated for existing law in 1979 while the Senate bill would provide them 2½ percent below this level. (2) The House bill provides a 10-year transition guarantee for the aged while the Senate bill’s guarantee would be for 5 years. (Both the Senate and House bills freeze the regular minimum benefit at its December 1978 level—estimated at \$121 per month.) (3) The House bill increases the special minimum which applies to low-income workers who have over 20 years of coverage. The Senate bill would continue present law for the special minimum.

III. COVERAGE

Universal coverage.—The House bill (Fisher floor amendment) provides for an extensive study by the Chairman of the Civil Service Commission, the Secretaries of Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget of the coverage of Federal employees and State and local employees under social security and a report back to the President and Congress no later than 2 years after enactment with appropriate recommendations. No provision is made for a study of nonprofit organization coverage.

International social security agreements—totalization.—Both the House and Senate bills authorize the President to enter into agreements with other countries to coordinate the social security protection provided for people who work under the social security programs of both the U.S. and the other country. The Senate bill differs from the House bill in that it would allow either House of Congress to disapprove the agreement by simple resolution. Such action would have to be taken within 90 days after the agreement is submitted to the Congress.

Other coverage provisions.—The House bill provides for employer tax liability for tips deemed wages under the minimum wage, the exclusion of income from limited partnerships, the revocation of coverage exemptions by clergymen, and two State and local provisions affecting employees in Illinois and Wisconsin.

IV. TREATMENT OF MEN AND WOMEN

Gender-based distinctions.—The House bill includes a series of provisions to make changes in the social security law to eliminate differences in treatment between men and women. Some of these would write into the Act provisions which carry out Supreme Court decisions already being implemented by regulations. The Senate bill includes no such provisions.

Study.—Both bills also would direct the Secretary of Health, Education, and Welfare to conduct a study of changes in the social security program needed to guarantee that men and women are treated equitably. The study is to be completed within 6 months of enactment of legislation. Included in this study would be various alternatives to mitigate the cost impact of the recent *Goldfarb* and companion decisions on the system. These decisions eliminated the requirement in the Act that men must prove dependency on their wives in order to receive husbands' or widowers' benefits on their wives' earnings records. (The House bill does not make this change in its gender-based distinction changes although the Social Security Administration is carrying out the decision.)

Public pension offset.—The Senate bill eliminates from the statute the dependency requirements for men and provides for the reduction of benefits payable under social security to dependent spouses (including surviving spouses) by the amount of any civil service (Federal, State or local) retirement benefit payable to the spouse. The provisions would apply only to individuals applying for spouses' social security benefits in the future and only if the dependent spouse had a pension based on his or her own earnings in public employment which was not covered under the social security system.

Divorced spouse—marriage requirements.—The House bill includes two provisions to liberalize benefits for spouses. One would shorten the duration of marriage requirement for aged divorced spouse's benefits from 20 years to 5 years. The other would provide that remarriage would not cause any reduction in the benefits paid to aged widows or widowers and that marriage would not bar or terminate benefits for all other auxiliary beneficiaries.

V. RETIREMENT TEST

Exempt amount.—The House bill (Ketchum floor amendment) raises the retirement test exempt amount for beneficiaries age 65–72 to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, and \$5,500 in 1981. Beginning in 1982 the retirement test would be eliminated for such beneficiaries.

The Senate bill raises the retirement test exempt amount for all beneficiaries under age 72 to \$4,500 in 1978 and to \$6,000 in 1979. After 1979, the \$6,000 level would be increased automatically as wage levels rise. The bill

(Church floor amendment) also repeals the earnings limit for workers age 70 and over, effective in 1982.

Foreign work test.—The House bill liberalizes the foreign work test.

VI. ANNUAL REPORTING

The House bill modifies the annual reporting legislation passed in 1975 so that employers need not report, for coverage purposes, quarterly wage data. The bill also changes the quarter-of-coverage measure and certain automatic provisions of the law so that annual rather than quarterly data would be used. The most important change would change the quarter-of-coverage measure from \$50 a quarter to one quarter of coverage (up to a total of four) for each \$250 of annual earnings. The \$250 measure would be increased automatically every year to reflect increases in wages.

VII. MISCELLANEOUS PROVISIONS

The House bill (Jenkins floor amendment) provides for the establishment of a National Commission on Social Security. The Senate bill extends the filing date for the report of the advisory council to be appointed this year.

The Senate bill converts temporary Administrative Law Judges to permanent status in the same manner as H.R. 5723 which was approved by Ways and Means.

The Senate bill requires the Secretary of Labor, in consultation with the Secretary of Health, Education, and Welfare, to study the need to develop a special consumer price index for the elderly, and to report to Congress within 6 months of enactment.

The Senate bill would have the present law delayed retirement increment earned by a worker reflected in the benefit of the widow or widower, while the House bill would increase the delayed retirement increment from 1 to 3 percent a year for workers who do not receive benefits between age 65 and 72.

The Senate bill would provide that a group of corporations concurrently employing an individual would be considered as a single employer if the group uses a common paymaster for purposes of determining the maximum amount of earnings subject to social security and unemployment taxes.

The Senate bill provides relief to certain nonprofit organizations that had not properly waived their exempt status. Similar legislation (H.R. 8490) was reported out of Committee in the House.

The Senate bill (Wallop floor amendment) eliminates the reduction of disability benefits on account of workmen's compensation benefits, effective upon enactment.

The Senate bill (Bayh floor amendment) permits blind persons to receive disability benefits without regard to their earnings capacity (and without regard to their actual earnings). The Senate amendment would also lower

to 6 the number of quarters of coverage required for the blind to qualify for disability benefits.

The Senate (Church floor amendment) bill puts cost-of-living increases for monthly benefits on a semi-annual basis. A CPI increase of 4 percent in a 6-month period will trigger a semi-annual adjustment. The earliest possible effective date is January 1979. SSI and Railroad Retirement benefits are also affected.

VIII. PROVISIONS IN BOTH BILLS

Both Senate and House bills contain similar provisions with respect to several issues. Where differences in these provisions exist (e.g., different effective dates), the provisions are described fully in the comparative text. The following provisions, however, are identical in the two bills:

(1) Elimination of the monthly exception to the retirement test which permits benefits to be paid for months of low earnings regardless of annual earnings;

(2) Modification of cost-of-living increase provisions for persons who originally received actuarially reduced benefits. Percentage increases would be based in the future on the actual (reduced) benefit amount rather than on the unreduced benefit rate;

(3) Provisions permitting social security coverage for certain policemen and firemen in Mississippi and public employees in New Jersey.

IX. NON-OASDI PROVISIONS

The Senate amendment also includes a number of provisions not directly related to the social security program. These provisions:

(1) Make available a one-time fiscal relief payment to State and local governments (related to their welfare costs) of \$374 million;

(2) Provide certain fiscal incentives for reducing welfare error rates;

(3) Provide State welfare agencies access to wage information maintained for purposes of the social security and unemployment compensation programs;

(4) Allow States to undertake certain demonstration projects involving the employment of welfare recipients;

(5) Modify the provisions under which certain earned income is disregarded in determining the amount of welfare grants under the AFDC program;

(6) Permit reimbursement under medicare for certain wheelchairs;

(7) Provide that veterans pension payments will not be reduced as a result of future social security benefit increases;

(8) Require Federal reimbursement for certain erroneous State payments in 1974 supplementing the SSI program;

(9) Make available a tax credit for a portion of the expenses incurred by a taxpayer for higher education; and

(10) Make certain modifications in the treatment of honoraria under the Federal Election Act.

II. PROVISIONS TO IMPROVE THE FINANCING OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAMS

ITEM	PRESENT LAW		
A. Adjustments in tax rates.			
House bill Sec. 101 p. 4	In 1977, the Federal OASDHI contribution rate is equal to 5.85% of taxable earnings for the employer and the employee, each (11.7% combined). The OASDI tax is 4.95%, each. The law provides a schedule of OASDHI contribution rates which reach an ultimate rate of 7.45%, each (5.95% each for OASDI) in 2011.		
Senate bill Sec. 103 p. 141	In 1977 the OASDHI contribution rate for the self-employed is 7.9% of net earnings; OASDI tax is 7.0% for self-employed.		
	In 1977 the hospital insurance (HI) contribution rate is equal to 0.9% of taxable earnings, each for the employer and the employee, plus 0.9% for the self-employed.		
	The following table shows OASDHI contribution rates under present law :		
	[In percent]		
Calendar year	OASDI	HI	Total
<i>Employees and employers, each</i>			
1977-----	4. 95	0. 90	5. 85
1978-80-----	4. 95	1. 10	6. 05
1981-84-----	4. 95	1. 35	6. 30
1985-----	4. 95	1. 35	6. 30
1986-89-----	4. 95	1. 50	6. 45
1990-2010-----	4. 95	1. 50	6. 45
2011 and later-----	5. 95	1. 50	7. 45

HOUSE BILL

The House bill provides for increases in the OASDHI contribution rate for employers and employees, each over present law beginning in 1981, and a schedule of contribution rates for OASDHI which reaches an ultimate rate of 7.65% each (6.20% each for OASDI) in 1990.

The self-employment OASDI rate would be increased to the original ratio of 1½ times the employee rate beginning in 1981. The HI tax for the self-employed would continue to be equal to the employee HI rate.

The House bill provides that a portion of the HI tax increases already scheduled in the law would be shifted to the OASDI program. Of the 0.20% HI tax increase scheduled for employers and employees each in 1978, 0.10% would go to OASDI for the years 1978-80 and 0.05% would be shifted in 1981 and thereafter.

The following table shows OASDHI contribution rates under the House bill:

[In percent]

Calendar year	OASDI	HI	Total
<i>Employees and employers, each</i>			
1977-----	4.95	0.90	5.85
1978-80-----	5.05	1.00	6.05
1981-----	5.25	1.30	6.55
1982-84-----	5.35	1.30	6.65
1985-----	5.65	1.30	6.95
1986-89-----	5.65	1.45	7.10
1990 and after-----	6.20	1.45	7.65

SENATE BILL

The Senate bill would increase the OASDHI contribution rates for employers and employees, each over present law beginning in 1979. The schedule of OASDHI contribution rates reaches an ultimate rate of 9.2%, each (7.8% each, for OASDI) in 2011.

Similar provision.

Reduces HI tax rate by 0.10% for 1978, by 0.05% for 1979-80 and by 0.10% for 1981-84. There would be no change in the rate for 1985 and for years after 1985 the rate would be reduced by 0.10%.

The following table shows the OASDHI contribution rates under the Senate bill:

[In percent]

Calendar year	OASDI	HI	Total
<i>Employees and employers, each</i>			
1977-----	4.95	0.90	5.85
1978-----	5.05	1.00	6.05
1979-80-----	5.085	1.05	6.135
1981-----	5.35	1.25	6.60
1982-84-----	5.40	1.25	6.65
1985-----	5.70	1.35	7.05
1986-89-----	5.70	1.40	7.10
1990-94-----	6.15	1.40	7.55
1995-2000-----	6.70	1.40	8.10
2001-10-----	7.30	1.40	8.70
2011 and after-----	7.80	1.40	9.20

ITEM	PRESENT LAW			
	Calendar year	OASDI	HI	Total
	<i>Self-employed persons</i>			
1977-----	7.00	0.90	7.90	
1978-80-----	7.00	1.10	8.10	
1981-84-----	7.00	1.35	8.35	
1985-----	7.00	1.35	8.35	
1986-89-----	7.00	1.50	8.50	
1990 and later-----	7.00	1.50	8.50	

B. Allocation to DI trust fund.

House bill
Sec. 102
p. 9

In 1977 the disability insurance trust fund (DI) receives an amount equal to 0.575 percent each from the employer and employee (1.15% combined), plus 0.815 percent of self-employment income from which benefits and administrative expenses are paid for the disability insurance program. A schedule of allocations of portions of OASDI income to the DI trust fund is provided in the law. All other income from OASDI taxes goes to the OASI fund.

Allocation between the OASI and the DI trust funds is shown in the following table:

[In percent]

Calendar years	Employee and employer, rates, each	
	OASI	DI
1977-----	4.375	0.575
1978-80-----	4.350	.600
1981-85-----	4.300	.650
1986-2010-----	4.250	.700
2011 and later-----	5.100	.850

Self-employed rates		
1977-----	6.1850	.8150
1978-80-----	6.1500	.8500
1981-85-----	6.0800	.9200
1986-2010-----	6.0100	.9900
2011 and later-----	6.0000	1.0000

HOUSE BILL

Calendar year	OASDI	HI	Total
<i>Self-employed persons</i>			
1977-----	7.00	0.90	7.90
1978-80-----	7.10	1.00	8.10
1981-----	7.90	1.30	9.20
1982-84-----	8.05	1.30	9.35
1985-----	8.45	1.30	9.75
1986-89-----	8.45	1.45	9.90
1990 and after-----	9.30	1.45	10.75

The House bill increases allocation to the disability insurance trust fund, beginning in 1978.

SENATE BILL

Calendar year	OASDI	HI	Total
<i>Self-employed persons</i>			
1977-----	7.00	0.90	7.90
1978-----	7.10	1.00	8.10
1979-80-----	7.05	1.05	8.10
1981-----	8.00	1.25	9.25
1982-84-----	¹ 8.10	1.25	9.35
1985-----	8.55	1.35	9.90
1986-89-----	8.55	1.40	9.95
1990-94-----	9.25	1.40	10.65
1995-2000-----	10.05	1.40	11.45
2001-10-----	10.95	1.40	12.35
2011 and after-----	11.70	1.40	13.10

¹ The Senate amendment provides a tax rate of 8.00% for 1982-1984. The Senate floor debate indicates that a rate of 8.10 was intended.

Similar provision with different allocation.

Allocation between the OASI and the DI trust funds is shown in the following table:

[In percent]

Calendar years	Employer and employee rate, each	
	OASI	DI
1977-----	4.375	0.575
1978-----	4.275	.775
1979-80-----	4.300	.750
1981-----	4.450	.800
1982-84-----	4.550	.800
1985-89-----	4.750	.900
1990 and later-----	5.100	1.100

Self-employed rates

1977-----	6.185	0.815
1978-----	6.010	1.090
1979-80-----	6.045	1.055
1981-----	6.700	1.200
1982-84-----	6.850	1.200
1985-89-----	7.100	1.350
1990 and later-----	7.650	1.650

Allocation between the OASI and the DI trust funds is shown in the following table:

[In percent]

Calendar years	Employer and employee rate, each	
	OASI	DI
1977-----	4.375	0.575
1978-----	4.275	.775
1979-80-----	4.335	.750
1981-----	4.525	.825
1982-84-----	4.575	.825
1985-89-----	4.750	.950
1990-94-----	5.100	1.050
1995-2000-----	5.500	1.200
2001-10-----	5.950	1.350
2011 and after-----	6.300	1.500

Self-employed rates

1977-----	6.185	0.815
1978-----	6.010	1.090
1979-80-----	6.010	1.040
1981-----	6.7625	1.2375
1982-84-----	6.8625	1.2375
1985-89-----	7.125	1.425
1990-94-----	7.675	1.575
1995-2000-----	8.250	1.800
2001-10-----	8.925	2.025
2011 and after-----	9.450	2.250

ITEM	PRESENT LAW																						
C. Increases in earnings base.	The maximum amount of annual earnings subject to the employer and employee social security tax is \$16,500 in 1977, covering approximately 85% of total payroll. In the year after an automatic benefit increase becomes effective, the taxable wage base will automatically increase in proportion to the increase in average wages in covered employment.																						
House bill sec. 103 p. 10	<i>Contribution and benefit base</i>																						
Senate bill sec. 101-102 pp. 139-140	<table> <tr><td>Year:</td><td></td></tr> <tr><td>1978</td><td>\$17,700</td></tr> <tr><td>1979</td><td>¹ 18,900</td></tr> <tr><td>1980</td><td>¹ 20,400</td></tr> <tr><td>1981</td><td>¹ 21,900</td></tr> <tr><td>1982</td><td>¹ 23,400</td></tr> <tr><td>1983</td><td>¹ 24,900</td></tr> <tr><td>1984</td><td>¹ 26,400</td></tr> <tr><td>1985</td><td>¹ 27,900</td></tr> <tr><td>1986</td><td>¹ 29,400</td></tr> <tr><td>1987</td><td>¹ 31,200</td></tr> </table>	Year:		1978	\$17,700	1979	¹ 18,900	1980	¹ 20,400	1981	¹ 21,900	1982	¹ 23,400	1983	¹ 24,900	1984	¹ 26,400	1985	¹ 27,900	1986	¹ 29,400	1987	¹ 31,200
Year:																							
1978	\$17,700																						
1979	¹ 18,900																						
1980	¹ 20,400																						
1981	¹ 21,900																						
1982	¹ 23,400																						
1983	¹ 24,900																						
1984	¹ 26,400																						
1985	¹ 27,900																						
1986	¹ 29,400																						
1987	¹ 31,200																						
	¹ Estimated amount under automatic provision in law.																						

Tier-II of the Railroad Retirement program is an industry annuity program which is financed from a 9.5% tax on wages paid by employers without any contribution from employees. Both the amount of earnings taxed and the benefits paid are limited by the amount of earnings taxed under the social security program and rise as the social security tax base rises.

The Pension Benefit Guaranty Corporation (PBGC) under the Employee Retirement Income Security Act of 1974 provides for the insurance of pensions up to a certain maximum monthly amount. Initially, the amount was \$750, and the amount increases automatically each year to reflect increases in the general level of wages. The mechanism to increase the amount is the taxable wage base under social security.

HOUSE BILL

The House bill provides for 4 *ad hoc* increases in the contribution and benefit base in 1978, 1979, 1980 and 1981 so that in 1981 and thereafter about 91% of all payroll in covered employment would be taxable for social security purposes (and about 94% of all workers would have their full earnings credited for benefit purposes). After 1981 the base would be automatically adjusted to keep up with average wage levels in the same way the present-law base is adjusted.

The following table shows the base under present law and under the House bill.

Year	Present law	House bill
1977-----	\$16, 500	\$16, 500
1978-----	1 17, 700	1 19, 900
1979-----	2 18, 900	1 22, 900
1980-----	2 20, 400	1 25, 900
1981-----	2 21, 900	1 29, 700
1982-----	2 23, 400	2 31, 800
1983-----	2 24, 900	2 33, 900
1984-----	2 26, 400	2 36, 000
1985-----	2 27, 900	2 38, 100
1986-----	2 29, 400	2 40, 200
1987-----	2 31, 200	2 42, 600

¹ *Ad hoc* increases.

² Estimated amount under automatic provision in law.

The tax base for tier-II of the Railroad Retirement Act would not be affected in any way by the House bill. The tier-II base for both benefits and tax purposes would be the same as under the automatic-increase provision of the present law.

The Pension Benefit Guaranty Corporation (PBGC) would not be affected by the *ad hoc* increases of the wage base under social security. The insured pension amount would increase as it would under automatic increase provisions of present law.

SENATE BILL

The Senate bill calls for four \$600 increases above the level that would prevail under present law for employees and the self-employed in 1979, 1981, 1983 and 1985. The base for employers would be increased to \$50,000 in 1979 and to \$75,000 in 1985. It would remain at \$75,000 until the employee base reaches that level. Once the two bases are equal, both will increase at the same rate as under the present automatic-increase provisions.

The following table shows the tax base estimated for employees and the self-employed under present law and under the Senate bill:

Year	Present law	Senate bill
1978-----	\$17, 700	\$17, 700
1979-----	1 18, 900	2 19, 500
1980-----	1 20, 400	2 21, 000
1981-----	1 21, 900	2 23, 100
1982-----	1 23, 400	2 24, 600
1983-----	1 24, 900	2 26, 700
1984-----	1 26, 400	2 28, 200
1985-----	1 27, 900	2 30, 300
1986-----	1 29, 400	2 32, 100
1987-----	1 31, 200	2 33, 900

¹ Estimated amount under automatic provision in law.

² Estimated amount under automatic provision, with additional increments of \$600 in each year 1979, 1981, 1983, and 1985.

The Senate bill contains a similar provision except that the amount of earnings used for computing the tier-II benefit would be the base used for social security benefits under the amended law. (As under the House bill, the tier-II tax would apply to the present-law base.)

No similar provision. (However the PBGC would be affected only by the changes made in the employee tax base, and not by the **changes** in the employer base.)

ITEM	PRESENT LAW
D. Reduction in taxes of certain employers.	No provision.
Senate bill sec. 106 p. 176	
E. Standby guarantee of trust fund levels.	No provision.
House bill sec. 104 p. 13	

HOUSE BILL

SENATE BILL

No provision.

The House bill provides standby authority for automatic loans to the OASDI trust funds from Federal general revenues whenever the assets of a cash benefits trust fund at the end of a calendar year amount to less than 25% of the outgo from the fund in the calendar year. The amount of the loan would be equal to the difference between the year-end balance in the fund and 27½% of the year's outgo.

Such loans would automatically be repaid with accrued interest when assets at the end of a year exceeded 30% of the year's outgo from the fund. To provide for automatic repayment, there would be temporary social security tax-rate increases of 0.1% for employees and employers, each, and 0.15% for the self-employed, if at the end of any year after the year the loan was made the reserve level is less than 35% and the loan debt exceeds \$2 billion. This temporary tax rate increase would go into effect one year later.

The standby loan authority would not be applicable for the HI trust fund.

The Senate amendment would limit State and local governmental and 501(c)(3) nonprofit employers' social security liability for 1979 to the liability that would be incurred for 1979 under the provisions of present law. For 1980 and after, such an employer's liability (in dollars) would generally be 90 percent of the liability under the law as amended by the bill, but not less than the 1979 liability. In no case would the provision require an increase in liability as compared with the regular provisions applicable to other employers. (Danforth floor amendment adopted by a vote of 57 to 28.)

An authorization for appropriations from general revenues is provided to make up the loss of social security revenue to the trust funds that would result from enactment of the provision. (Danforth floor amendment adopted by a vote of 44 to 26.)

No provision.

ITEM

PRESENT LAW

III. STABILIZATION OF REPLACEMENT RATES IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM (DECOUPLING)

A. Computation of primary insurance amount (PIA).

House bill
sec. 201
p. 17

Senate bill
sec. 104
p. 149

Average monthly wage.—A worker's benefit amount is determined from the benefit table (in or deemed to be) in the law which relates average monthly wage amounts to primary benefits (PIA's).

Benefit formula.—The law provides a benefit table which is used in determining benefit amounts for both future beneficiaries and those now on the benefit rolls.

Though not stated in the law, the formula that underlies the amounts in the table, effective June, 1977 is:

145.90 percent of first \$110 of AME, plus
53.07 percent of next \$290 of AME, plus
49.59 percent of next \$150 of AME, plus
58.29 percent of next \$100 of AME, plus
32.42 percent of next \$100 of AME, plus
27.02 percent of next \$250 of AME, plus
24.34 percent of next \$175 of AME, plus
22.54 percent of next \$100 of AME, plus
21.18 percent of next \$100 of AME.

HOUSE BILL

SENATE BILL

Average indexed monthly wage (p. 25).—Applies a *benefit formula* in the law to an individual's average *indexed* monthly earnings, which are indexed by wages. Apart from the indexing procedures, the computation of the average wages for benefit purposes generally follows existing law.

Benefit formula (p. 17).—Provides a new benefit formula for individuals who become eligible for old-age benefits (regardless of when they apply for those benefits) after 1978, whose disability occurred after 1978, or who die after 1978.

The formula for 1979 would be:

90 percent of the first \$180 of average indexed monthly earnings (AIME); plus
32 percent of AIME over \$180 through AIME of \$1,085; plus
15 percent of AIME above \$1,085.

This formula would provide benefit amounts roughly 5 percent lower than those that are estimated for 1979 under existing law.

For beneficiaries on the rolls cost-of-living benefit increase procedures would operate as they do under present law.

Transition guarantees.—For the 10-year period 1979–88 individuals becoming first eligible for *old-age* benefits would guaranteed the higher of the PIA under wage-indexing or under the benefit table in the law in December 1978.

Average indexed monthly wage (p. 150).—Similar provision.

Benefit formula (p. 150).—Similar provision except that the formula for 1979 would be:

92 percent of the first \$180 of AIME; plus
33 percent of AIME over \$180 through AIME of \$1,075; plus
16 percent of AIME above \$1,075.

This formula would provide benefit amounts roughly 2½ percent lower than those that are estimated for 1979 under existing law.

Similar provision, except that two increases per year would be possible.

Similar provision for the 5-year period 1979–83.

ITEM	PRESENT LAW
B. Maximum family benefits.	<p><i>Cost-of-living increases.</i>—If the Secretary determines that in the 1st quarter of the year (January-March) the cost of living (CPI) has exceeded by 3 percent or more the level for the 1st quarter of the most recent preceding year in which a cost-of-living benefit increase has gone into effect, or, if later, the most recent calendar quarter in which an <i>ad hoc</i> increase became effective, a benefit increase equal to the percentage increase in the CPI between the 2 quarters (rounded to the nearest $\frac{1}{10}$ of 1 percent) is effective for June of the year in which the determination is made (payable in the July checks). (Supplemental security income payment levels are increased effective for July payable in the July checks.) The increase is effective for beneficiaries on the rolls and for future beneficiaries. (Each percentage figure in the benefit formula by the percentage increase.) There is no cost-of-living increase if in the preceding year a law had been enacted providing a general benefit increase or if a legislated benefit increase had become effective.</p> <p><i>Minimum monthly primary amount.</i>—\$114 as of June 1977 (average monthly wage of \$76 and below) increased by the cost of living.</p> <p><i>Special minimum benefit.</i>—Provides a special minimum benefit of up to \$180 a month for a worker with 30 years of creditable earnings (\$270 for a couple). The special minimum is calculated by multiplying \$9 times the number of years of coverage in excess of 10 and up to 30—for a maximum multiplier of 20. Generally a year of “coverage” is a year in which a person has earnings at least as high as one quarter of the contribution and benefit base (\$4,125 in 1977) in effect for the year and this would rise with average wages in the future. Benefit not increased by cost-of-living mechanism.</p> <p><i>Maximum monthly family benefit June 1979.</i>—Men and women age 62 in June 1979: \$887. Young disabled: \$1,249.</p>

House bill
sec. 202
p. 39

Senate bill
sec. 105
p. 170

HOUSE BILL

SENATE BILL

Cost-of-living (p. 35).—Provides that in general cost-of-living increases will apply only to keep benefits up to date with price level changes beginning with the year each individual becomes eligible for benefits (or dies).

Minimum monthly primary amount (p. 19).—The December 1978 minimum benefit rounded to the next higher dollar (estimated to be \$121) would be frozen for new beneficiaries but the minimum benefit would be increased in line with CPI increases after a worker reaches age 62, becomes disabled, or dies.

Special minimum benefit (p. 19).—Raises \$9 figure to \$11.50 thereby increasing the maximum benefit amounts to \$230 for an individual and \$345 for a couple. Years of coverage will be based on the existing contribution base (without ad hoc increases as a result of H.R. 9346) increased automatically. Benefits will be increased by cost-of-living mechanism. Effective January 1979.

Maximum monthly family benefit.—Men and women age 62 in June 1979: \$840. Young disabled: \$951.

Cost-of-living increases (p. 166).—Similar provision, except that effective December 1977 semi-annual cost-of-living increases would be possible effective each December and June (January and July for Supplemental Security Income payment levels). A cost-of-living increase is provided at the end of a 6-month period if the CPI increases by at least 4 percent. If an increase is not provided because the 4-percent trigger is not met, the percentage drops back to 3 for a 12-month period as under present law. It is already known that no increase could be provided effective for December 1977.

The measuring period would end with February for a June increase, or August for a December increase, and would begin with the previous February or August which triggered the previous automatic increase, or the last month which was the effective month of an *ad hoc* benefit increase if later. However, the first measuring period under the amendment would begin with the first calendar quarter of 1977. (Sec. 135, p. 225). (Church floor amendment adopted by a vote of 50 yeas to 21 nays.)

Minimum monthly primary amount (p. 151).—Similar provision, except that the Senate amendment would increase the minimum by the CPI index only from the point where the individual actually begins to receive benefits rather than from the point at which he becomes eligible for benefits (or dies).

No provision.

Maximum monthly family benefit.—Men and women age 62 in 1979: \$858. Young disabled: \$952.

ITEM	PRESENT LAW
<p>C. Increase in old-age benefit amounts for delayed retirement.</p> <p>House bill sec. 203 p. 47</p> <p>Senate bill sec. 123 p. 185</p>	<p>Although not specified in the law the formula underlying the benefit table in the law on June 1979 for the family maximum is estimated to be 150 percent of PIA's up to \$257. It gradually increases to 188 percent of a PIA of \$368 and then declines to 175 percent of PIA's for \$483 and above.</p> <p><i>Automatic increases on account of delayed retirement.</i>—An old-age beneficiary who claims no benefits prior to age 65 and thereafter has benefits withheld under the retirement test is entitled to have his benefit increased by a credit equal to $\frac{1}{12}$ of 1 percent for each full month of withholding. Increases are effective in January of the year following the year the credits were earned, except that credits earned in the year of attainment of age 72 are effective in the month of such attainment.</p>
<h4>IV. COVERAGE UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM</h4>	
<p>A. Study concerning mandatory coverage of Federal employees.</p> <p>House bill sec. 301 p. 50</p>	<p><i>Excludes</i> civilian employees of the United States or its instrumentalities who are covered under Federal staff retirement systems.</p>

HOUSE BILL

SENATE BILL

The family maximum benefit formula would be specified in the law and would range from 150 to 188 percent of the PIA as under present law.

Similar provision.

The family maximum benefit amounts would be determined by applying the following formula:
 150 percent of the first \$230 of PIA, plus
 272 percent of the next \$102 of PIA, plus
 134 percent of the next \$101 of PIA, plus
 175 percent of the remainder.

Similar provision except that the formula would be:

150 percent of the first \$236 of PIA, plus
 272 percent of the next \$106 of PIA, plus
 134 percent of the next \$107 of PIA, plus
 175 percent of the remainder.

Provides for an increase in the delayed retirement credit (which applies to the worker only) to one-fourth of 1 percent for each month (3 percent per year) a worker does not receive a benefit from age 65 and up to the month he reaches age 72. The provision would apply for months after 1981 for workers whose benefits are computed under the new wage indexed system or under the 10-year transitional guarantee.

No similar provision, but makes delayed retirement credit applicable to widow and widower benefits, as well as to the worker's benefit.

Provides that as soon as possible after the date of enactment, the Chairman of the Civil Service Commission, the Secretaries of Treasury and Health, Education, and Welfare, and the Director of the Office of Management and Budget shall jointly conduct a detailed study with respect to methods by which full coverage of Federal employees under OASDHI could be attained. Upon completion of the study, and in any event no later than two years after the date of enactment, a report will be submitted to the President and the appropriate Committees of Congress including the results of the study and recommendations (Fisher amendment adopted by a vote of 380 to 39.)

No provision.

ITEM	PRESENT LAW
<p>B. Study concerning mandatory coverage of State and local government employees.</p> <p>House bill sec. 302 p. 54</p>	<p><i>Covers</i> on an optional basis employees of States (including Puerto Rico, Virgin Islands, Guam and American Samoa) and political subdivisions thereof, under voluntary agreements between the Secretary of Health, Education, and Welfare and each State.</p>
<p>C. Limited partnerships.</p> <p>House bill sec. 303 p. 57</p>	<p>A partner's share of partnership income is includable in his net income from self-employment irrespective of the nature of his membership in the partnership.</p>
<p>D. Cash tips.</p> <p>House bill sec. 304 p. 59</p>	<p>Cash tips received by an employee in the course of his employment are covered as wages for social security purposes if the tips amount to \$20 or more a month for employment by one employer. Employers are not required to pay the social security employer tax on the tips. The tips represent compensation for income tax purposes even though less than \$20 a month or even though paid in other than cash but are not, under either of these conditions, subject to withholding for income tax purposes. However, tips amounting to \$20 or more a month in work for one employer are subject to withholding for income tax purposes.</p>
<p>E. Ministers and members of religious orders.</p> <p>House bill sec. 305 p. 60</p>	<p><i>Covers</i> as self-employed duly ordained, commissioned, or licensed ministers, Christian Science practitioners, and members of religious orders (other than those who have taken a vow of poverty.)</p> <p>Clergymen irrevocably can elect not to be covered if they are conscientiously opposed to social security coverage on grounds of conscientious belief or religious principle.</p>
<p>F. International social security agreements (to- talization).</p> <p>House bill sec. 306 p. 62</p> <p>Senate bill sec. 129 p. 233</p>	<p>No provision.</p>

HOUSE BILL

SENATE BILL

Provides that as soon as possible after the date of enactment, the Chairman of the Civil Service Commission, the Secretaries of Treasury and Health, Education and Welfare and the Director of the Office of Management and Budget shall jointly conduct a detailed study with respect to methods by which full coverage of State and local employees under OASDHI could be attained. Upon completion of the study, and in any event no later than 2 years after the date of enactment, a report will be submitted to the President and the appropriate committees of Congress including the results of the study and recommendations. (Fisher amendment adopted by a vote of 380 to 39.)

No provision.

Excludes from social security coverage the distributive share of income or loss from a limited partnership. Effective for taxable years beginning after December 31, 1977.

No provision.

Requires employers to pay social security contributions with respect to covered tips which are deemed wages under the Federal minimum wage law. Effective January, 1978.

No provision.

Provides that an election made by a clergyman in the past to be exempt from social security may be revoked by filing an application no later than the due date of the tax return for his first taxable year beginning after enactment. Effective for taxable years ending on or after enactment, or beginning after enactment (whichever is specified by the clergyman).

No provision.

Provides the President with authority to enter into bilateral social security agreements (totalization agreements) with interested foreign countries to provide for limited coordination between U.S. social security system and that of the other country. An agreement could eliminate dual coverage and contributions for the same work under the social security systems of two cooperating countries and could provide that eligibility and the amount of benefits payable by each country would take into account a

Similar provision except:

ITEM	PRESENT LAW
<p>G. Illinois policemen, firemen.</p> <p>House bill sec. 307 p. 67</p>	<p>Illinois is not on list of States who can extend coverage to policemen and firemen under a retirement system.</p>
<p>H. Wisconsin Retirement Fund.</p> <p>House bill sec. 310 p. 69</p>	<p>Wisconsin Retirement Fund—Allows the State of Wisconsin to extend coverage to State and local employees covered under the Wisconsin Retirement Fund without holding a referendum.</p>
<p>V. ELIMINATION OF GENDER-BASED DISTINCTIONS UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM</p>	
<p>Part A.—Equalization of Treatment of Men and Women Under the Program</p>	
<p>1. Divorced husbands.</p> <p>House bill sec. 401 p. 69</p>	<p>The social security law contains a number of relatively minor provisions that are different for men and women.</p> <p>Provides benefits based on a former spouse's social security earnings record for an aged divorced wife and an aged or disabled surviving divorced wife but not for divorced men in like circumstances.</p>
<p>2. Remarriage of surviving spouses before age 60.</p> <p>House bill sec. 402 p. 74</p>	<p>Provides that an aged or disabled widow (or surviving divorced wife) may qualify for widow's benefits if she "is not married" when she applies for benefits. For a widower (or surviving divorced husband), on the other hand, the require-</p>

HOUSE BILL

SENATE BILL

worker's work and earnings in both countries. Each country would exchange information on covered earnings with the other country, make determinations of coverage based on its own social security law, and pay pro rata benefits directly to beneficiaries.

The Congress would have an opportunity to consider and reject a proposed agreement, as each negotiated agreement must be submitted to the Congress for review and could not become effective before 90 days on each of which at least one House of Congress has been in session following its submission. To reject an agreement would require enactment of legislation to that effect by both Houses of Congress.

The United States has two totalization treaties signed with Italy and West Germany, but such treaties cannot become effective until Congress enacts the general enabling legislation.

Provides social security coverage for employment prior to 1978 by certain policemen and firemen who are covered by the Illinois Municipal Retirement Fund and for whom social security taxes have been paid.

Extends the special provision applying to employees covered under the Wisconsin Retirement Fund to any successor system to the Fund.

The House-passed bill includes provisions to eliminate the gender-based distinctions and terminology and provides the same rights for men and women. To accomplish this it has included in its bill the following provisions (Sections 401-410) which would be effective January 1, 1978.

Provides such benefits for aged divorced husbands and aged or disabled surviving divorced husbands.

Permits a widower (or surviving divorced husband) to obtain benefits based on his deceased wife's (or deceased former wife's) social security if he is not married at the time he applies for widower's benefits, as widows now can.

Requires that each agreement be transmitted to the Congress with a report on the estimated cost and the number of individuals affected; a totalization agreement could not go into effect until after both Houses had each been in session for 90 days and neither House passed a resolution of disapproval within the 90-day period. The Senate provision also contains a specific prohibition against including in an agreement any provision which would be contrary to the provisions of title II.

No provision.

No provision.

No provision.

No provision.

ITEM

PRESENT LAW

3. Illegitimate children:

House bill
sec. 403
p. 74

ment specifies that he may qualify for widower's benefits if he "has not remarried." As a result of this difference, a widower (or surviving divorced husband) cannot ever become entitled to widower's benefits based on his deceased wife's (or deceased former wife's) earnings if he has remarried before age 60, even if he is not married at the time he applies for benefits.

Provides that a man's illegitimate child who cannot inherit from him under applicable State law relative to devolution of intestate personal property may nevertheless be deemed to be his child for purposes of receiving social security benefits under certain conditions. Certain of these provisions may also apply with respect to such a child of a woman, but certain others do not.

4. Transitional insured status.

House bill
sec. 404
p. 75

A 1965 amendment to the social security law made certain people who attained age 72 before 1969 eligible for benefits based on a shorter time in covered employment than would otherwise be required. Benefits were also provided for certain wives and widows who attained age 72 before 1969, but similar benefits were not provided for husbands or widowers.

5. Special age 72 benefits.

House bill
sec. 405
p. 76

Certain people who reach age 72 before 1968 get special monthly cash payments (financed from general revenues) even though they have not worked in jobs covered by social security. The special payments can also be made to people who reach age 72 after 1967 and before 1972 if they have a specified amount of work under social security but not enough to qualify for regular retirement benefits.

When both members of a couple are receiving such payments, the husband receives a full benefit (now \$78.50) and the wife gets a benefit equal to one-half the husband's benefit (now \$39.30).

6. Fathers insurance benefits.

House bill
sec. 406
p. 77

Benefits are provided by the present statute for a woman who has in her care a minor or disabled child (entitled to child's benefits) of her retired, disabled, or deceased husband, or deceased former husband. By virtue of a 1975 Supreme Court decision in *Weinberger v. Wiesenfeld*

HOUSE BILL

SENATE BILL

Provides that an illegitimate child's status for purposes of entitlement to child's insurance benefits will be determined with respect to the child's mother in the same way as it is now determined with respect to the child's father.

No provision.

In addition, the bill changes the social security statute with respect to children of disabled workers to conform to a 1974 Supreme Court decision in *Jimenez v. Weinberger*. That decision provided that certain illegitimate children could get benefits based on a worker's earnings if the relationship and/or living with or support requirements in the law are met at the time the child applies for benefits instead of before the worker becomes disabled, as the statute provides. The bill makes a similar change with respect to children of retired workers.

Provides such benefits for husbands and widowers under the same conditions as for wives and widows.

No provision.

Provides that when both members of a couple are receiving special age-72 payments, the total amount of the payments (\$117.80) to the couple would be divided equally between the two.

No provision.

Provides benefits for men who were not covered by the Supreme Court decision—young husbands of retired or disabled workers, and surviving divorced husbands with an entitled minor or disabled child of the retired, disabled, or deceased worker in their care. The bill also changes

No provision.

ITEM	PRESENT LAW
<p>7. Effect of marriage on childhood disability beneficiary and on dependents and dependent survivors' benefits.</p>	<p>benefits are also provided for a similarly situated widowed father. (In <i>Wiesenfeld</i>, the Court ruled that benefits must be provided for a widower with an entitled child in his care on the same basis as they are provided for a widow with an entitled child in her care.) Also under the law, benefits are not provided for a father who has in his care an entitled child of his retired or disabled wife or deceased former wife.</p>
<p>House bill secs. 407, 408 pp. 80-81</p>	<p>When a childhood disability beneficiary (a retired, disabled, or deceased worker's child who has been disabled since before age 22) marries another person getting dependent's or survivor's benefits, and when a disabled worker marries a childhood disability beneficiary or a mother, surviving divorced mother, or father, neither's benefits are terminated by reason of the marriage. Subsequent treatment of the spouse's benefits if the childhood disability beneficiary or disabled worker beneficiary has medically recovered or engages in substantial work and has his or her disability benefits terminated varies depending on the sex of the disability beneficiary. If the disability beneficiary is a male, the benefits of his spouse end when his benefits end. If, on the other hand, the disability beneficiary is a female, the benefits of her spouse do not end when her benefits end.</p>
<p>8. Treatment of self-employment income in community property state.</p>	<p>Provides that all income from self-employment in a trade or business owned or operated by a married couple in a State in which community property statutes are in effect is deemed to be the husband's for social security purposes unless the wife exercises substantially all the management and control of the business, in which case all the self-employment income is treated as the wife's. In noncommunity property States, self-employment income of married couples is credited to the spouse who owns or is predominantly active in the business.</p>
<p>House bill sec. 409 p. 82</p>	
<p>9. Credit for certain military service.</p>	<p>Generally provides that if a civil service annuity based in part on military service performed before 1957 is payable to an individual, such service may not be used in determining eligibility for or the amount of such individual's social security benefit. An exception applies to a widow (or child), but not a widower, entitled to a civil service survivor's annuity based in whole or in part on pre-1957 military service. The widow (or child), but not a widower, may waive the right to the civil service survivor's annuity and receive credit for pre-1957 military service for purposes of determining eligibility for or the amount of social security survivor's benefits.</p>
<p>House bill sec. 410 p. 83</p>	

HOUSE BILL

SENATE BILL

the statute to reflect the Supreme Court decision in *Weinberger v. Wiesenfeld*.

Provides that the benefits of the spouse of a female disability beneficiary would be terminated if she ceases to be disabled, as is now the case if the disability beneficiary is a male.

No provision.

Permits self-employment income of a married couple in a community property State to be credited for social security purposes to the spouse who exercises more management and control over the trade or business. The provision would be effective with respect to taxable years beginning after 1977. Where the husband and wife exercised the same amount of management and control the self-employment income would be divided equally between both the husband and wife.

No provision.

Provides that a widower, as well as a widow, would be permitted to waive payment of a civil service annuity attributable to credit for military service performed before 1957 in order to have the military service credited toward eligibility for or the amount of a social security benefit.

No provision.

ITEM

PRESENT LAW

Part B.—Effect of Marriage, Remarriage and Divorce on Benefit Eligibility

1. Eliminate marriage or remarriage as factor in eligibility for, or reduction or termination of, benefits.

House bill
sec. 415
p. 90

Provides in general, that the marriage (or remarriage) of a worker's divorced or surviving spouse, parent, or child prevents or terminates entitlement to benefits based on the worker's social security earnings record. For example, a widow who remarries before 60 cannot get benefits based on her first husband's earnings as long as she is married. If she remarries after age 60, the benefits based on the first husband's social security are reduced or terminated; the widow gets either a benefit equal to a wife's benefit based on her first husband's earnings (which is less than the widow's benefit she was getting) or a wife's benefit based on her current husband's earnings (if he is a beneficiary), whichever is higher. Benefits are not payable to divorced spouses and young surviving spouses who are remarried.

2. Duration of marriage requirement.

House bill
sec. 416
p. 96

Provides benefits for aged divorced wives and aged surviving divorced wives of retired, disabled, or deceased insured workers, subject to a 20-year duration-of-marriage requirement.

Part C.—Dependents benefits and study of gender-based differences

1. Study of gender-based differences under social security program.

House bill
sec. 421
p. 98

Senate bill
sec. 201
p. 232

No provision.

HOUSE BILL

SENATE BILL

Provides that marriage or remarriage would not bar or terminate entitlement to benefits as a divorced spouse, surviving spouse (including those with an entitled child in their care), parent, or child, and remarriage would not cause any reduction in aged widow's or widower's insurance benefits. Also, the dependent's benefits of a person married to a disabled worker or an adult disabled since childhood would no longer be terminated when the disability ends.

The amendments made by the bill would apply with respect to benefits for months after December 1978. People whose dependents benefits were terminated because of marriage or remarriage (or because of the recovery of a previously disabled spouse) prior to January 1979 may again become entitled to such benefits thereafter upon application for reentitlement.

No provision.

Reduces from 20 years to 5 years the length of time a person must have been married to a worker in order for benefits to be payable to an aged divorced spouse or surviving divorced spouse.

Effective with respect to benefits for months after December 1978.

No provision.

Directs the Secretary of Health, Education, and Welfare, in consultation with the Justice Department Task Force on Sex Discrimination, to carry out a detailed study of proposals: (1) to eliminate dependency as a requirement for entitlement to social security spouse's benefits, and (2) to bring about the equal treatment of men and women in any and all respects. In conducting this study the Secretary shall take into account the effects of the changing role of women in today's society including such things as: (1) changes in the nature and extent of women's participation in the labor force, (2) the increasing divorce rate, and (3) the economic value of women's work in the home. The study shall include appropriate cost analyses. A full and complete report shall be submitted by the Secretary to the Congress within 6 months after enactment of the bill.

Similar provision.

ITEM	PRESENT LAW
<p>2. Reduced benefits for spouses receiving Government pension.</p> <p>Senate bill sec. 124 p. 188</p>	<p>A woman can become entitled to spouse's or surviving spouse's benefits without proving dependency on her husband. As a result of a March 1977 Supreme Court decision, a man can also become entitled to spouse's or surviving spouse's benefits without proving his dependency on his wife.</p>

VI. CHANGES IN EARNINGS TEST UNDER THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

A. Liberalization of earnings test.

House bill
sec. 501
p. 99

Senate bill
secs. 121-122
pp. 182-185

Provides that benefits will be withheld from a beneficiary under age 72 (and from any dependent drawing on his record) at the rate of \$1 in benefits for each \$2 of annual earnings in excess of \$3,000 in 1977.

Under automatic provisions, in the year after an automatic benefit increase becomes effective the amount of earnings exempted from the withholding of benefits under the retirement test automatically increases in proportion to the increase in average wages in covered employment. The following are estimated automatic increases in the annual exempt amount under the retirement test as reported in the 1977 Report of the Board of Trustees:

Year:	Annual exempt amount under retirement test
1978	\$3,240
1979	3,480
1980	3,720
1981	3,960
1982	4,200

B. Liberalization of foreign work test.

House bill
sec. 503
p. 104

A separate retirement test applies to employment or self-employment outside the United States which is not covered by the U.S. social security system. A monthly benefit is withheld when a beneficiary under age 72 works on any part of 7 or more days within a month. This test is based solely on the number of days the beneficiary works and not on the amount of earnings.

HOUSE BILL

SENATE BILL

No provision.

Provides that social security benefits payable to spouses and surviving spouses be reduced by the amount of any public (Federal, State, or local) retirement benefit payable to the spouse. The offset would apply only to pension payments based on the spouse's own work in public employment which is not covered under social security. The reduction would apply to individuals who become entitled to spouse's benefits or to surviving spouse's benefits on the basis of applications filed in and after the month of enactment. (Also eliminates dependency requirements for husband's and widower's benefits from the social security statute.)

Increases the earnings limitations for beneficiaries age 65-72 to the following amounts for 1978-81, and totally eliminates it in 1982 for beneficiaries aged 65-72:

<i>Retirement test annual exempt amount for persons aged 65 and over</i>	
Calendar year:	Amount
1977 -----	\$3,000
1978 -----	4,000
1979 -----	4,500
1980 -----	5,000
1981 -----	5,500
1982 -----	No limit

The retirement test figure of present law, which is to rise to \$3,240 in 1978, would continue to apply to beneficiaries under age 65. (Ketchum amendment adopted by a vote of 268 to 149)

Provides that benefits would not be payable for any month in which a beneficiary worked in 9 or more calendar days in 1978 and in 12 or more calendar days in 1979 and subsequent years.

Increases the annual exempt amount to \$4,500 for 1978 and to \$6,000 for 1979 for all beneficiaries (under age 65 as well as over age 65) with automatic increases thereafter, as under present law.

<i>Retirement test annual exempt amount for all beneficiaries</i>	
Calendar year:	Amount
1977 -----	\$3,000
1978 -----	4,500
1979 -----	6,000
1980 -----	¹ 6,480
1981 -----	¹ 6,960
1982 -----	¹ 7,440

¹ Estimated amounts under automatic provision.

Reduces the age at which a beneficiary is no longer subject to the retirement test from age 72 to 70, beginning in 1982. (Church substitute amendment adopted by a vote of 59 to 28.)

No provision.

VII. COMBINED SOCIAL SECURITY AND INCOME TAX ANNUAL REPORTING

A. Annual crediting of quarters of coverage.

House bill
sec. 601
p. 105

Employers report wages for social security purposes on a quarterly basis. As a result of Public Law 94-202, beginning in 1978, private employers will report annually; however, quarterly wage information will need to be listed on the annual reports because provisions of the law which require the use of quarterly wage data for some purposes were not changed. Forms W-2 will be used as the annual reports of wages for both social security and income tax purposes, and they will include either the amount of wages paid the worker in each quarter or a checkoff of the calendar quarters in which the worker was paid at least \$50 (the measure of a quarter of coverage). (State and local employers continue to report on a quarterly basis.) This information would allow SSA to determine whether a worker has enough quarters of coverage to be eligible for benefits.

B. Amount required for quarter of coverage.

House bill
sec. 602
p. 112

"Quarter of coverage" is defined as a calendar quarter in which worker received at least \$50 in wages.

VIII. MISCELLANEOUS PROVISIONS

1. National Commission on Social Security—Advisory Council on Social Security.

House bill
sec. 801
p. 130

Senate bill
sec. 203
p. 234

Requires that after January of each Presidential inauguration year the Secretary shall appoint an Advisory Council on Social Security consisting of a Chairman and 12 other members who are representatives of organizations of employees and employers, the self-employed, and the general public. The Council is required to review the status of the Federal Old-Age and Survivors Insurance Trust Fund, the Federal Disability Insurance Trust Fund, the Federal Hospital Insurance Trust Fund and the Federal Supplementary Medical Insurance Trust Fund in relation to the long-term commitments of the old-age, survivors, and disability insurance program and the programs under parts A and B of title XVIII, and of reviewing the scope of coverage and the adequacy of benefits under, and all other aspects of, these programs, including their impact on the public assistance programs under the Act. The Council is also required to submit reports of its findings and recommendations to the Secretary not later than January 1 of the

HOUSE BILL

SENATE BILL

Changes the provisions of the Social Security Act that require the use of quarterly wage data so that only annual data would be needed—employers would no longer have to check off quarters of coverage or report quarterly wages on the forms W-2. Excludes from the definition of wages certain employment wherein the remuneration is less than \$100 in a calendar year. State and local employers will continue to report on a quarterly basis but wages will be converted to annual figures. The most significant program change relates to how annual wages would be credited in terms of quarters of coverage. Effective date, January 1, 1978.

No provision

Changes "quarter of coverage" definition so that after 1977 all workers would receive a quarter of coverage for each \$250 of wages paid in a year (to a maximum of four quarters of coverage in a year). The amounts measuring a quarter of coverage would increase automatically each year as wages increase.

No provision.

Establishes a National Commission on Social Security independent from the executive branch composed of nine members—five appointed by the President, two by the Speaker, and two by the President pro tem of the Senate.

The Commission would be required to submit interim reports and to issue a final report two years after its appointment.

(1) It shall be the duty and function of the Commission to conduct a continuing study, investigation, and review of—

(A) the Federal old-age, survivors, and disability insurance program established by title II of the Social Security Act; and

(B) the health insurance programs established by title XVIII of such Act.

(2) Such study, investigation, and review of such programs shall include (but not be limited to)—

(A) the fiscal status of the trust funds established for the financing of such programs and the adequacy of such trust funds

The Senate amendment includes no provision comparable to the House bill relating to a National Commission.

Under the Senate bill, the advisory council to be appointed this year would have an additional 9 months in which to make its report. The report would be due October 1, 1979, rather than January 1, 1979.

ITEM	PRESENT LAW
<p data-bbox="174 1569 785 1629">2. Elimination of certain optional payment procedures under social security.</p> <p data-bbox="216 1655 327 1724">House bill sec. 702 p. 126</p> <p data-bbox="216 1748 333 1815">Senate bill sec. 126 p. 196</p>	<p data-bbox="867 336 1451 450">second year after the year in which it is required to be appointed. Such reports are to be transmitted to the Congress and the Board of Trustees.</p> <p data-bbox="835 1569 1451 1683">Persons applying for benefits are permitted, if they meet all conditions of entitlement, to get benefits for up to 12 months prior to the month in which they filed an application.</p>

HOUSE BILL

SENATE BILL

- to meet the immediate and long-range financing needs of such programs;
- (B) the scope of coverage, the adequacy of benefits including the measurement of an adequate retirement income, and the conditions of qualification for benefits provided by such programs including the application of the retirement income test to unearned as well as earned income;
 - (C) the impact of such programs on, and their relation to, public assistance programs, other governmental retirement and annuity programs, medical service delivery systems, and national employment practices;
 - (D) any inequities (whether attributable to provisions of law relating to the establishment and operation of such programs, to rules and regulations promulgated in connection with the administration of such programs, or to administrative practices and procedures employed in the carrying out of such programs) which affect substantial numbers of individuals who are insured or otherwise eligible for benefits under such programs, including inequities and inequalities arising out of marital status, sex, or similar classifications or categories; and
 - (E) possible alternatives to the current Federal programs or particular aspects thereof, including but not limited to (i) a phasing out of the payroll tax with the financing of such programs being accomplished in some other manner (including general revenue funding and the retirement bond), (ii) the establishment of a system providing for mandatory participation in any or all of the Federal programs, (iii) the integration of such current Federal programs with private retirement programs, and (iv) the establishment of a system permitting covered individuals a choice of public or private programs or both.

Provides that benefits not be paid retroactively for months before an application is filed when this payment results in a permanent reduction of future monthly benefits. Effective January 1, 1978.

Identical to House provision, except effective upon enactment.

ITEM	PRESENT LAW
<p>3. Early payment of social security and SSI benefit checks in certain situations.</p> <p>House bill sec. 703 p. 129 Senate bill sec. 127 p. 198</p>	<p>Social security benefit payments for a particular month are payable after the end of that month, and payment is normally made on the third day of the month; SSI benefit checks for a particular month are delivered on the first day of that month.</p>
<p>4. Taxation of corporations.</p> <p>Senate bill sec. 125 p. 195</p>	<p>When an individual is concurrently employed by a group of corporations and works for more than one of the corporations, each corporation is treated as an individual employer for employer tax purposes. As a result, the group of corporations may be required to pay employment taxes on an individual's wages in excess of the maximum amount otherwise taxable.</p>
<p>5. Nonprofit organizations which failed to file waiver certificates.</p> <p>Senate bill sec. 130 p. 209</p>	<p>Nonprofit organizations that have been paying social security taxes without having filed a valid waiver certificate to cover employees under the social security system are deemed to have filed such a waiver in those instances where no refund was obtained before September 9, 1976, and also in instances when organizations which received a refund before September 9, 1976, did not file a waiver within 180 days after October 4, 1976 (date of enactment of Public Law 94-563).</p>

HOUSE BILL

Requires that, when the delivery date for either payment falls on a Saturday, Sunday, or legal public holiday, the checks would be delivered on an earlier date. Any overpayment that occurs as a direct result of the earlier delivery of checks would be waived and would not be subject to the recovery.

No provision.

No provision in H.R. 9346; H.R. 8490 as reported by Ways and Means Committee would forgive unpaid social security taxes for certain organizations that stopped paying taxes prior to October 1979 without receiving a refund and were deemed to have filed a certificate under P.L. 94-563; would permit employees of those organizations to individually elect retroactive coverage providing the taxes were paid; and would extend from April 19, 1977, to December 31, 1977, the date by which organizations that received a tax refund may file a waiver certificate.

SENATE BILL

Similar provision, except there is no waiver of recovery of overpayments that occur as a result of earlier delivery of checks.

A group of corporations concurrently employing an individual would be considered as a single employer if one of the group serves as a common paymaster for the entire group. This would result in such corporations having to pay no more in social security and unemployment taxes than a single employer pays. The provision is effective January 1, 1979.

Similar to H.R. 8490 except would permit a refund of back taxes to certain organization that had stopped paying the taxes before October 1, 1976, but paid the back taxes after enactment of P.L. 94-563.

Senator Ribicoff's floor amendment provides that certain nonprofit organizations that had obtained refunds for the quarter ending prior to July 1, 1973 would be entitled to file actual waiver certificates as are organizations that received refunds for any period after June 30, 1973 and before September 9, 1976.

Senator Dole's and Senator Sarbanes' floor amendment provides that those calendar quarters in which organizations were required to pay social security taxes pending determination of their application for section 501(c)(3) tax exempt status shall not be considered calendar quarters in which taxes were paid without having filed a waiver certificate for the purpose of deeming them to have filed a constructive waiver certificate under Public Law 94-563. (This exclusion generally applies through the quarter ending after the twelfth month following mailing of the ruling. Organizations ruled exempt after December 31, 1975 qualify for the exclusion through the quarter in which such ruling was issued.)

ITEM	PRESENT LAW
<p>6. Benefits for blind persons.</p> <p>Senate bill sec. 131 p. 218</p>	<p>To qualify for disability benefits, a legally blind person must be fully insured. If he is under age 55, he gets a 9-month trial period to test his capacity to work; if he engages in SGA after the trial work period, his benefits are terminated. If he is aged 55 or older, his benefits are suspended for each month in which he engages in SGA.</p> <p>The amount of benefits is computed the same as for nonblind disabled beneficiaries.</p>
<p>7. Administrative law judges.</p> <p>Senate bill sec. 202 p. 233</p>	<p>Public Law 94-202 established temporary hearing officer positions (ALJ's) to hear cases under titles II, XVI, and XVIII of the Social Security Act pursuant to the Administrative Procedure Act. The authority for the positions would expire on December 31, 1978.</p>
<p>8. Study of CPI for the elderly.</p> <p>Senate bill sec. 201 p. 232</p>	<p>No provision.</p>
<p>9. Elimination of workmen's compensation offset.</p> <p>Senate bill sec. 132</p>	<p>An individual who is under age 62 and who receives both social security and workmen's compensation benefits at the same time may have his social security reduced. No reduction is made if the State workmen's compensation program provides for any reduction in the workmen's compensation benefit because of the payment of social security. However, if the workmen's compensation benefits are not reduced, then social security benefits are reduced by whatever amount is necessary to assure that the individual's total income from both social security and workmen's compensation is not higher than 80% of his "average current earnings".</p> <p>"Average current earnings" are defined as the highest of the average monthly wage on which the benefit is based, the average monthly wage during the individual's highest five consecutive years of earnings, or the average wage the individual had in the one year of highest earnings during the five years before he became disabled.</p> <p>Where an individual receives a lump sum settlement under workmen's compensation rather than monthly payments. The Department prorates the lump sum settlement over a period of time and applies the monthly reduction in social security payments as though the lump sum settlement had been paid monthly.</p>

HOUSE BILL	SENATE BILL
No provision.	<p>A legally blind worker would:</p> <ul style="list-style-type: none"> (1) need only 6 quarters of coverage; (2) be considered disabled, regardless of earnings and capacity to work; (3) have benefits computed and recomputed in a special, advantageous method; (4) not be subject to the retirement test at age 65; and (5) not be required to undergo vocational rehabilitation services. <p>(Bayh floor amendment adopted by a voice vote.)</p>
No provision, but identical bill (H.R. 5723) reported by Ways and Means Committee.	Converts appointments to permanent ALJ status under the Administrative Procedure Act.
No provision.	Senate bill requires the Secretary of Labor, in consultation with the Secretary of Health, Education, and Welfare, to study the need to develop a special consumer price index for the elderly, and to report to Congress within 6 months of enactment.
No provision.	Senate amendment repeals the provision of existing law which provides for a reduction in social security benefits for persons simultaneously entitled to workmen's compensation payments (Wallop amendment adopted by a voice vote).

ITEM	PRESENT LAW
10. Reimbursement under medicare for certain wheelchairs.	No reduction is made after the individual becomes age 62 and no reduction is made in the amount of any increases in social security benefits which become payable after the individual goes on the rolls.
Senate bill sec. 306 p. 249	The reduction is recomputed every three years to give the individual the benefit of increases which he might have had in "average current earnings" had he not become disabled.
	Among the items which are specified in the statute as allowable for medicare reimbursement are "wheel chairs used in the patient's home". The Department of Health, Education, and Welfare has interpreted this statute to preclude coverage for a type of wheelchair known as the "AMIGO" wheelchair which is self-propelled on the basis that it can be used outside the home as well as in the home.

IX. PROVISIONS RELATING TO PUBLIC ASSISTANCE PROGRAMS

1. Fiscal relief for State and local welfare costs. No provision.

Senate bill
sec. 301
p. 236

2. Incentives for lowering AFDC error rates.

Senate bill
sec. 302
p. 238

Under its general regulatory authority, the Department of Health, Education, and Welfare requires the States in administering their programs of aid to families with dependent children to conduct quality review samplings which provide statistical data concerning the percentage of erroneous payments. Attempts by the Department to use this quality control system as a basis for reducing Federal matching to States with excessively high error rates have thus far been successfully blocked in the courts and have consequently been withdrawn by the Department.

HOUSE BILL

SENATE BILL

No provision.

The Senate amendment would expand the definition of allowable expenses to include devices serving the same or similar purposes as wheelchairs in order to assure coverage of the "AMIGO" wheelchair (Griffin amendment adopted by a voice vote).

No provision.

The Senate amendment would provide for a one-time payment as soon as possible after enactment to the States of \$374 million as fiscal relief for State and local welfare costs. The amount payable to each State would have to be passed through to local jurisdictions which participate in the cost of the AFDC program except that no political subdivision could receive more than 90% of its share of program costs.

The amount allocated to each State out of the \$374 million total would be computed under a two-part formula. Half of the total would be allocated among the States in proportion to each State's share of AFDC expenditures for December, 1976. The other half of the \$374 million total would be allocated among the States in the same relative proportion as the most recent general revenue sharing allocations.

No provision.

The Senate amendment would establish a system of fiscal incentives for States which have low error rates as measured by the quality control findings.

Under the amendment States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs at a 4-percent payment error rate. This percentage would increase proportionately as shown in the following table:

ITEM	PRESENT LAW
<p>3. Access by AFDC agencies to wage records.</p> <p>Senate bill sec. 303 p. 240</p>	<p>Present law contains no specific statutory provision either allowing or requiring State AFDC agencies to verify the amount of earnings reported (or not reported) by AFDC recipients through cross-checking the wage records of State unemployment compensation agencies or the Social Security Administration.</p>
<p>4. State welfare demonstration projects.</p> <p>Senate bill sec. 304 p. 243</p>	<p>Section 1115 of the Social Security Act allows the Secretary of Health, Education, and Welfare to waive any of the State plan requirements of the Federal AFDC statute for the sake of experimental pilot or demonstration projects which in the Secretary's judgment are likely to assist in promoting the objectives of the program. Waivers requested by the States under this authority become effective only when specifically approved by the Secretary.</p>

HOUSE BILL

SENATE BILL

If the error rate is :		<i>Federal savings</i> ¹
At least 3.5 percent but less than 4 percent-----	10	
At least 3 percent but less than 3.5 percent-----	20	
At least 2.5 percent but less than 3 percent-----	30	
At least 2 percent but less than 2.5 percent-----	40	
Less than 2 percent-----	50	

¹The State will retain this percent of the imputed Federal savings.

No provision.

The Senate amendment would specifically authorize State AFDC agencies to obtain wage information from the wage records maintained by the Social Security Administration and the wage records maintained by State unemployment compensation agencies for purposes of determining eligibility for (or amount of) AFDC. The Secretary of HEW would establish the necessary safeguards to prevent the improper use of such information. Effective October 1, 1979, States would be required to request and make use of this wage information either from the State unemployment compensation agency (if available there) or from the Social Security Administration.

No provision.

The Senate amendment would authorize certain types of State demonstration projects related to the AFDC program to be implemented if the Secretary did not specifically disapprove the implementation of such projects within forty-five days after the State applies to have the projects approved. In other words, a State could proceed with such projects either when the Secretary approved them, or forty-five days after submitting them to the Secretary if no decision had been reached by HEW within that period. Once implemented, demonstration projects could continue for two years or until such time as the Secretary took action to disapprove the waiver.

Under this authority, States would be permitted to conduct not more than three demonstration projects but not more than one on a Statewide basis. Projects involving public service employment would have to meet reasonable standards related to health, safety and other conditions, could not displace employed workers, would have to be reasonable for the individuals participating, and would have to provide appropriate workmen's compensation protection. Participation in any project by any AFDC recipient would have to be on a voluntary basis.

States would be permitted to waive ordinary statutory rules requiring statewide uniformity, administration by a single agency, and regarding participation in the work incentive program and

ITEM	PRESENT LAW
5. AFDC earned income disregard.	Under present law States are required; in determining need for Aid to Families with Dependent Children, to disregard:
Senate bill sec. 305 p. 247	<ol style="list-style-type: none"> 1. All earned income of a child who is a full-time student, or a part-time student who is not a full-time employee; and 2. The first \$30 earned monthly by an adult plus one-third of additional earnings. Costs related to work (such as transportation costs, uniforms, union dues, child care and other items) are also deducted from earnings in calculating the amount of welfare benefit. The \$30 plus one-third disregard is based on total earnings and not on earnings net of work expense deductions.
6. Federal liability for Federally-caused errors in State SSI supplementation (1974).	Where States provide additional benefits to aged, blind and disabled people over and above the Federally administered SSI payments under title XVI of the Social Security Act, there is authority in existing law for States to either administer those payments themselves or to enter into agreements with the Department under which the State supplemental benefits are paid by the Social Security Administration with that agency being reimbursed by the State for the cost of those payments. Where State supplemental payments have been Federally administered, the Department has negotiated with the States a partial Federal assumption of liability for the cost of payments which were made incorrectly. Where States have administered their own benefits, however, the Department has not assumed any Federal liability for erroneous payments. No statutory provisions exist concerning Federal liability for incorrect State supplementation payments under either mode of administration.
Senate bill sec. 501 p. 256	

HOUSE BILL

SENATE BILL

the disregard of certain amounts of earned income. (Not more than half of all income could be disregarded under the waiver authority, however.)

AFDC matching for these demonstration projects would be limited to the amount the State would have received through AFDC if it had not implemented the demonstration project. In addition the State's general revenue sharing funds could be used to cover the costs of salaries for participants in public service employment which are not covered by AFDC matching.

Once implemented, demonstration projects could continue for up to 2 years unless the Secretary took action to disapprove a State waiver of statutory rules before the end of the 2-year period. The provision would not apply after September 30, 1980.

No provision.

The Senate amendment would require States to disregard the first \$60 earned monthly by an individual working full-time (\$30 in the case of an individual working part time—work under 40 hours weekly would be considered part-time unless it involved 35 hours per week and weekly wages of at least \$92.) There would be no deduction for individual itemized work expenses except that reasonable child care expenses, subject to limitations prescribed by the Secretary would also be disregarded. The remaining earnings (net of the basic \$60 or \$30 disregard and child care expenses) would be disregarded according to the following formula: $\frac{1}{3}$ of up to \$300 of additional earnings would be disregarded and $\frac{1}{3}$ of earnings above that.

No provision.

The Senate amendment would authorize and direct the Secretary of Health, Education, and Welfare to reimburse the States for erroneous State supplemental payments administered by them and paid during 1974 to the extent that an HEW audit determines is appropriate on the basis that the incorrect payments resulted from erroneous or incomplete information furnished to the States by the Department or from States' reliance on incorrect payments made by the Department. (Allen amendment adopted by a voice vote.)

ITEM

PRESENT LAW

X. NON-SOCIAL SECURITY ACT PROVISIONS

1. Prohibition against reducing veteran's pensions because of social security increases.

Senate bill
sec. 204
p. 234

Benefits for veterans who are disabled from a non-service connected disability (including veterans who are age 65 and over) are payable on a needs-test basis in which the amount payable is reduced to take into account the other income which the veteran has. A similar needs test applies in the case of benefits for the widows of veterans who die from non-service connected causes and also in the case of compensation payable to the dependent parents of veterans who die from service connected causes. In computing the amount payable under each of these programs, 10% of the value of social security benefits is excluded. Otherwise, however, the social security benefit is counted like any other income and serves to reduce the pension. When social security benefits are raised, the amount of pension payable is accordingly reduced (however, this effect is offset to some extent by periodic *ad hoc* increases in the rates of pension payable to veterans).

2. Tax credit for higher education expenses.

Senate bill
sec. 401
p. 250

Individuals are allowed a deduction in computing their income tax liability for education expenses only to the extent that they represent ordinary and necessary business expenses.

3. Treatment of honoraria under Federal Election Act.

Senate bill
sec. 307
p. 249

Under the Federal Election Campaign Act (2 USC 441i), a Federal officer or employee cannot accept any honorarium of more than \$2,000 or honoraria aggregating more than \$25,000 in any calendar year.

HOUSE BILL

SENATE BILL

No provision.

The Senate amendment provides that the amount of any social security benefit resulting from a cost of living increase will not be used to reduce Veterans Administration payments of these types. The amendment would apply to social security increases taking place after September 1, 1978. (McIntyre floor amendment agreed to by a voice vote—tabling motion failed 20 to 68).

No provision.

The Senate amendment modifies the Internal Revenue Code to provide an income tax credit for educational expenses (tuition, fees, books, and equipment, but not meals, lodging, or other living expenses) paid to an institution of higher education or a vocational school. The amount of the credit is limited each year to \$250 per student. For 1978 only, it would be refundable. The student must be a full-time student working towards a baccalaureate degree or certificate of required course work. Expenses eligible for the credit are reduced by scholarship or fellowship grants, educational assistance allowances, and education and training allowances. (Roth amendment adopted by a vote of 61 to 11.)

No provision.

The Senate amendment makes clear that a contribution to a charitable organization selected by the payor from a list of 5 or more organizations named by the government officer or employee shall not be treated as an honorarium. Also, amounts returned to a payor before the end of the calendar year shall not be treated as honoraria. The amendment also provides that honoraria are to be treated as accepted in the year of receipt. The amendment is effective with respect to honoraria received after December 31, 1976. (Dole amendment adopted by a voice vote.)

XI. TABLES

HOUSE BILL

A. SHORT TERM ESTIMATES PREPARED BY THE SOCIAL SECURITY
ADMINISTRATION ACTUARY

OASDI Program as Modified by H.R. 9346 as Passed by the House of Representatives

TABLE H-1.—ESTIMATED EFFECTS OF THE HOUSE BILL ON THE NET INCREASE IN THE OASI AND
DI TRUST FUNDS, COMBINED, IN EACH CALENDAR YEAR 1978-83, BY PROVISION

[In millions]

	Effective date	1978	1979	1980	1981	1982	1983
Total additional amount of benefit pay- ments.....		-\$371	\$682	\$545	\$64	\$2,313	\$1,818
Reduction in other outgo ¹			16	54	76	138	210
Net amount of additional outgo.....		-371	666	491	-12	2,175	1,608
Decoupling.....	Jan. 1979		-70	-351	-803	-1,473	-2,392
Elimination of marriage or remarriage as a bar to entitlement to benefits.....	Jan. 1979		1,135	1,355	1,454	1,551	1,654
Reduction in duration of marriage re- quired for divorced spouses benefits from 20 to 5 years.....	Jan. 1979		137	164	177	190	204
Changes in the retirement test—Total.....	Jan. 1978	54	266	359	404	3,299	3,657
Elimination of the monthly measure.....	Jan. 1978	-224	-276	-297	-313	-326	-337
Gradual increases in the ex- empt amount for benefi- ciaries age 65 and over.....	Jan. 1978	278	542	656	717	753	791
Reduction in age at which test ceases to apply from age 72 to age 65.....	Jan. 1982					2,872	3,203
Subtotal—cost provisions.....		278	542	656	717	3,625	3,994
Elimination of retroactive payments of actuarially reduced benefits.....	Jan. 1978	-339	-536	-550	-559	-565	-569
Limitation on increases in actuarially reduced benefits.....	Jan. 1978	-90	-280	-500	-751	-948	-1,157
Increase in special minimum benefits.....	Jan. 1979		12	14	14	15	16
Changes in annual wage reporting pro- visions.....	Jan. 1978	(²)	1	4	9	18	26
Elimination of gender-based distinctions from the law.....	Jan. 1978	4	5	6	7	8	8
Increases in contribution and benefit base.....	Jan. 1978	(²)	12	44	112	218	371
Additional tax contribution income resulting from financing changes.....	Jan. 1978	3,999	6,673	8,566	15,284	19,900	21,474
Additional interest income.....		114	478	1,007	1,885	3,075	4,652
Total additional income.....		4,113	7,151	9,573	17,169	22,975	26,126
Net effect on increase in trust funds.....		4,484	6,485	9,082	17,181	20,800	24,518

¹ Transfers to the railroad retirement account under the financial interchange provisions are lower under the House bill than under present law because of the financing changes in the bill.² Less than \$500,000.

SENATE BILL

A. SHORT TERM ESTIMATES PREPARED BY THE SOCIAL SECURITY ADMINISTRATION ACTUARY

OASDI Program as Modified by H.R. 9346 as Passed by the Senate

TABLE S-1.—ESTIMATED EFFECTS OF THE SENATE BILL ON THE NET INCREASE IN THE OASI AND DI TRUST FUNDS, COMBINED, IN EACH CALENDAR YEAR 1978-83, BY PROVISION

[In millions]

	1978	1979	1980	1981	1982	1983
Total amount of additional benefit payments.....	\$463	\$1,503	\$1,438	\$909	\$630	-\$273
Reduction in other outgo ¹		16	28	151	217	274
Net amount of additional outgo.....	463	1,487	1,410	758	413	-547
Decoupling.....		-31	-196	-486	-947	-1,609
Changes in eligibility requirements and in benefit computation provisions for blind workers.....	410	720	824	929	1,033	1,137
Elimination of workmen's compensation offset provision.....	172	202	226	254	282	312
Changes in retirement test—net total.....	582	1,786	2,170	2,271	2,744	2,835
Elimination of monthly measure.....	-224	-276	-297	-313	-326	-337
Increases in exempt amounts for all beneficiaries.....	806	2,062	2,467	2,584	2,719	2,785
Reduction in exempt age from 72 to 70.....					351	387
Subtotal—cost provisions.....	806	2,062	2,467	2,584	3,070	3,172
Elimination of retroactive payments of actuarially reduced benefits.....	-424	-536	-550	-559	-565	-569
Limitation on increases in actuarially reduced benefits.....	-90	-280	-500	-751	-948	-1,157
Increase in benefits of surviving spouses, resulting from deceased worker's delayed retirement credits.....	3	4	5	7	10	13
Offset to benefits of spouses receiving public retirement pensions ²	-190	-362	-545	-767	-1,008	-1,289
Increases in contribution and benefit base.....		(⁴)	4	11	29	54
Additional tax contribution income resulting from financing changes ³	1,630	8,209	9,767	16,822	19,900	21,375
Additional interest income.....	42	215	800	1,720	2,994	4,699
Total amount of additional income.....	1,672	8,424	10,567	18,542	22,894	26,074
Net effect on increase in trust funds.....	1,209	6,937	9,157	17,784	22,481	26,621

¹ Transfers to the railroad retirement account under the financial interchange provisions are lower under the Senate bill than under present law because of the financing changes in the bill.

² The Senate Finance Committee adopted the administration's estimate of the benefit reduction that would result from the administration proposal regarding benefits for dependent spouses as the estimated reduction that would result from the related committee amendment offsetting Government retirement pensions against spouses benefits. The Office of the Actuary estimates reductions of \$135 million in 1978, \$235 million in 1979, \$324 million in 1980, \$434 million in 1981, \$554 million in 1982, and \$692 million in 1983.

³ Includes reimbursements from the general fund for reduction in employer payments by State and local governments and in employer tax contributions from non-profit organizations. Such reimbursements are assumed to be made concurrently with the loss of such payments and tax contributions.

⁴ Less than \$500,000.

HOUSE BILL

TABLE H-2.—ADDITIONAL CONTRIBUTION INCOME RESULTING FROM H.R. 9346 AS PASSED BY THE HOUSE OF REPRESENTATIVES BY PROVISION, CALENDAR YEARS 1978-83

[In billions]

Calendar year	Increase in contribution and benefit base	Reallocation of tax rates between OASDI and HI	Increase in OASDI self-employment tax rates to 1½ times employee rate	Increase in tax rates	Total ¹
OASDI:					
1978	\$2.3	\$1.7			\$4.0
1979	4.6	2.0			6.7
1980	6.3	2.3			8.6
1981	8.0	1.3	\$0.1	\$5.8	15.3
1982	8.8	1.3	.4	9.3	19.9
1983	9.4	1.4	.4	10.2	21.5
HI:					
1978	.5	-1.7			-1.2
1979	1.0	-2.0			-1.0
1980	1.4	-2.3			-.9
1981	2.1	-1.3			.8
1982	2.3	-1.3			1.0
1983	2.5	-1.4			1.1
OASDHI:					
1978	2.8				2.8
1979	5.6				5.7
1980	7.6				7.7
1981	10.1		.1	5.8	16.1
1982	11.2		.4	9.3	20.9
1983	11.9		.4	10.2	22.6

¹ Includes relatively small amounts of additional taxes payable by employers on employees' income from tips and reduction in taxes due to the provision on totalization agreements.

TABLE H-3.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE HOUSE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

Calendar year	Income	Outgo	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of outgo during year	Fund at end of year as a percentage of outgo during year
1977	\$72.5	\$75.6	-\$3.1	\$32.3	47	43
1978	80.6	83.6	-3.0	29.3	39	35
1979	90.8	92.7	-1.9	27.4	32	30
1980	100.8	101.3	-.4	26.9	27	27
1981	114.1	109.9	4.1	31.1	25	28
1982	125.9	121.4	4.5	35.6	26	29
1983	135.1	130.7	4.4	40.0	27	31
1984	144.4	140.5	3.9	43.9	28	31
1985	160.3	151.1	9.2	53.2	29	35
1986	171.9	162.2	9.7	62.9	33	39
1987	183.7	174.0	9.7	72.6	36	42

See note at end of table H-6.

SENATE BILL

TABLE S-2.—ADDITIONAL CONTRIBUTION INCOME RESULTING FROM H.R. 9346 AS PASSED BY THE SENATE, BY PROVISION, CALENDAR YEARS 1978-83

[In billions]

Calendar year	Increase in base for em- ployers	Increase in base for em- ployees and self- employed	Realloca- tion of tax rates between OASDI and HI	Increase in OASDI self-em- ployment tax rates to 1½ times employer rate	Increase in em- ployer tax rates	Increase in em- ployee tax rates	Increase in self- employ- ment tax rates	Total increase in tax rates	Total
OASDI:									
1978			\$1.6						\$1.6
1979	\$5.1	\$0.4	1.1		\$0.9	\$0.8		\$1.6	8.2
1980	6.2	.5	1.1		1.0	.9		1.9	9.8
1981	6.5	.9	2.4	\$0.1	3.6	3.3	\$0.1	7.0	16.8
1982	6.6	1.0	2.6	.4	4.7	4.3	.3	9.3	19.9
1983	6.7	1.3	2.8	.4	5.0	4.6	.4	10.0	21.4
HI:									
1978			-1.6						-1.6
1979	1.1	.1	-1.1						.1
1980	1.4	.1	-1.1						.4
1981	1.7	.2	-2.4						-.4
1982	1.8	.3	-2.6						-.6
1983	1.8	.4	-2.8						-.6
OASDHI:									
1978									
1979	6.3	.5						1.6	8.3
1980	7.6	.6						1.9	10.1
1981	8.2	1.1		.1				7.0	16.4
1982	8.4	1.3		.4				9.3	19.3
1983	8.6	1.7		.4				10.0	20.7

TABLE S-3.—ESTIMATED OPERATIONS OF THE OLD-AGE AND SURVIVORS INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE SENATE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

Calendar year	Income	Outgo	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of outgo during year	Fund at end of year as a percentage of outgo during year
1977	\$72.5	\$75.6	-\$3.1	\$32.3	47	43
1978	78.5	83.8	-5.3	27.0	39	32
1979	92.1	92.5	-.4	26.6	29	29
1980	102.0	101.0	.9	27.5	26	27
1981	115.2	109.3	5.9	33.4	25	31
1982	125.7	118.1	7.6	41.0	28	35
1983	135.0	126.8	8.2	49.3	32	39
1984	144.4	136.3	8.1	57.3	36	42
1985	161.0	146.5	14.5	71.8	39	49
1986	173.1	157.3	15.8	87.6	46	56
1987	185.0	168.7	16.2	103.8	52	62

See note at end of table S-6.

HOUSE BILL

TABLE H-4.—ESTIMATED OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE HOUSE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

Calendar year	Income	Outgo	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of outgo during year	Fund at end of year as a percentage of outgo during year
1977-----	\$9.6	\$12.0	-\$2.4	\$3.3	48	27
1978-----	14.2	13.7	.5	3.8	24	28
1979-----	15.9	15.3	.6	4.4	25	29
1980-----	17.6	17.1	.5	4.9	26	28
1981-----	20.5	19.0	1.5	6.4	26	34
1982-----	22.3	20.9	1.4	7.8	31	37
1983-----	23.9	23.0	.9	8.8	34	38
1984-----	25.5	25.2	.3	9.1	35	36
1985-----	30.3	27.7	2.6	11.7	33	42
1986-----	32.8	30.3	2.4	14.1	38	46
1987-----	35.0	33.2	1.8	15.9	43	48

See note at end of table H-6.

TABLE H-5.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, UNDER PRESENT LAW AND UNDER THE SYSTEM AS MODIFIED BY THE HOUSE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

Calendar year	Income	Outgo	Net increase in funds	Funds at end of year	Funds at beginning of year as a percentage of outgo during year	Funds at end of year as a percentage of outgo during year
1977-----	\$82.1	\$87.6	-\$5.5	\$35.6	47	41
1978-----	94.8	97.3	-2.5	33.1	37	34
1979-----	106.7	108.0	-1.3	31.8	31	29
1980-----	118.5	118.4	(¹)	31.8	27	27
1981-----	134.6	128.9	5.7	37.5	25	29
1982-----	148.2	142.3	5.9	43.4	26	31
1983-----	159.0	153.6	5.4	48.8	28	32
1984-----	170.0	165.8	4.2	53.0	29	32
1985-----	190.6	178.8	11.8	64.8	30	36
1986-----	204.7	192.5	12.2	77.0	34	40
1987-----	218.7	207.1	11.5	88.5	37	43

¹ Income exceeds outgo by less than \$50 million.

See note at end of table H-6.

SENATE BILL

TABLE S-4.—ESTIMATED OPERATIONS OF THE DISABILITY INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE SENATE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

Calendar year	Income	Outgo	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of outgo during year	Fund at end of year as a percentage of outgo during year
1977-----	\$9.6	\$12.0	-\$2.4	\$3.3	48	27
1978-----	13.8	14.3	-.5	2.8	23	20
1979-----	15.9	16.3	-.4	2.4	17	15
1980-----	17.5	18.3	-.8	1.6	13	9
1981-----	20.7	20.3	.4	1.9	8	9
1982-----	22.4	22.4	(¹)	1.9	9	8
1983-----	23.9	24.7	-.8	1.1	8	5
1984-----	25.4	27.2	-1.7	-.6	4	(²)
1985-----	31.1	29.8	1.3	.7	(²)	2
1986-----	33.7	32.6	1.0	1.8	2	5
1987-----	35.9	35.7	.2	2.0	5	6

¹ Outgo exceeds income by less than \$50 million.² Fund exhausted at end of 1984.

See note at end of table S-6.

TABLE S-5.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, UNDER THE PROGRAM AS MODIFIED BY THE SENATE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

Calendar year	Income	Outgo	Net increase in funds	Funds at end of year	Funds at beginning of year as a percentage of outgo during year	Funds at end of year as a percentage of outgo during year
1977-----	\$82.1	\$87.6	-\$5.5	\$35.6	47	41
1978-----	92.3	98.1	-5.8	29.8	36	30
1979-----	108.0	108.8	-.9	29.0	27	27
1980-----	119.5	119.3	.1	29.1	24	24
1981-----	135.9	129.7	6.3	35.3	22	27
1982-----	148.1	140.5	7.6	42.9	25	31
1983-----	159.0	151.5	7.5	50.4	28	33
1984-----	169.8	163.5	6.3	56.7	31	35
1985-----	192.1	176.3	15.8	72.6	32	41
1986-----	206.7	189.9	16.8	89.4	38	47
1987-----	220.8	204.4	16.5	105.8	44	52

See note at end of table S-6.

HOUSE BILL

TABLE H-6.—ESTIMATED OPERATIONS OF THE HOSPITAL INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE HOUSE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

Calendar year	Income	Outgo	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of outgo during year
1977.....	\$16.1	\$16.2	—\$0.1	\$10.5	66
1978.....	19.7	19.1	.5	11.0	55
1979.....	22.3	22.3	— .1	11.0	49
1980.....	24.5	25.9	—1.4	9.6	42
1981.....	33.8	29.8	3.9	13.5	32
1982.....	37.0	34.1	2.9	16.4	40
1983.....	39.5	38.7	.8	17.2	42
1984.....	42.0	43.9	—1.8	15.4	39
1985.....	44.5	49.4	—5.0	10.4	31
1986.....	51.9	55.2	—3.3	7.1	19
1987.....	55.3	61.5	—6.2	0.8	12

NOTE.—The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

B. SHORT-TERM ESTIMATES PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

TABLE H-7.—CBO ESTIMATES OF INCREASES IN OUTGO FOR FISCAL YEARS 1978-83, OASDI

[In billions of dollars]

	1978	1979	1980	1981	1982	1983
Decoupling ¹	0	0	—0.3	—0.7	—1.3	—2.1
Raise exempt amount in retirement test.....	(²)	.2	.2	.3	3.0	3.1
Limit windfall increases for early retirees.....	0	— .2	— .4	— .7	— .9	—1.2
Expand benefits to divorced spouses.....	0	.2	.2	.2	.2	.2
Elimination of marriage as a bar to benefit entitlement.....	0	1.3	1.4	1.6	1.7	1.9
Elimination of monthly retirement test.....	— .2	— .2	— .2	— .2	— .1	— .02
Elimination of retroactive benefits.....	— .2	— .4	— .5	— .6	— .6	— .6
Total ³	— .4	.9	.4	— .1	2.0	1.3

¹ Includes freezing of minimum benefit and increment in delayed retirement credit.

² Less than \$50 million.

³ Total includes minor costs and savings of other provisions.

SENATE BILL

TABLE S-6.—ESTIMATED OPERATIONS OF THE HOSPITAL INSURANCE TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE SENATE BILL, CALENDAR YEARS 1977-87

[Amounts in billions]

Calendar year	Income	Outgo	Net increase in fund	Fund at end of year	Fund at beginning of year as a percentage of outgo during year
1977.....	\$16.1	\$16.2	-\$0.1	\$10.5	66
1978.....	19.2	19.0	.2	10.7	55
1979.....	23.4	22.2	1.2	11.9	48
1980.....	25.8	25.9	(¹)	11.9	46
1981.....	32.7	29.8	2.8	14.7	40
1982.....	35.4	34.1	1.3	16.0	43
1983.....	37.7	38.7	-1.0	15.0	41
1984.....	39.9	43.9	-4.0	11.0	34
1985.....	45.5	49.4	-3.8	7.2	22
1986.....	50.1	55.2	-5.1	2.1	13
1987.....	52.9	61.5	-8.6	(²)	3

¹ Outgo exceeds income by less than \$50 million.² Fund exhausted in 1987.

NOTES.—1. The above estimates are based on the intermediate set of assumptions shown in the 1977 Trustees Report. 2. The Senate Finance Committee adopted the administration's estimate of the benefit reduction that

would result from the administration proposal regarding benefits for dependent spouses as the estimated reduction that would result from the related committee amendment offsetting government pensions against spouses benefits.

B. SHORT-TERM ESTIMATES PREPARED BY THE CONGRESSIONAL BUDGET OFFICE

TABLE S-7.—CBO ESTIMATES OF INCREASES IN OUTGO FOR FISCAL YEARS 1978-83, OASDI

[In billions of dollars]

	1978	1979	1980	1981	1982	1983
Decoupling.....		-0.02	-0.14	-0.41	-0.81	-1.44
Raise exempt amount in earnings test.....		1.20	1.39	1.51	2.00	2.15
Allow widows to collect increased benefits of husband's delayed retirement.....	(¹)	(¹)	.01	.01	.01	.01
Pension offset to spouse benefit.....	-0.17	-.27	-.41	-.43	-.53	-.64
Limit windfall increases for early retirement.....	-.05	-.23	-.45	-.68	-.91	-1.17
Limit on retroactive benefits.....	-.29	-.53	-.55	-.56	-.56	-.57
Eliminate monthly retirement test.....	-.20	-.20	-.20	-.20	-.20	-.30
Liberalize benefits to blind.....	.31	.51	.63	.67	.72	.76
Eliminate penalty for disabled workers collecting workmen's compensation.....	.12	.13	.14	.16	.17	.19
Total.....	-.281	.589	.420	.070	-.110	-1.00

¹ Less than \$5 million.

HOUSE BILL

C. LONG-TERM ESTIMATES PREPARED BY THE SOCIAL SECURITY ADMINISTRATION ACTUARY

TABLE H-8.—CHANGES IN ACTUARIAL BALANCE OF THE OASI AND DI PROGRAM OVER LONG-RANGE PERIOD (1977-2051) AS A RESULT OF CHANGES INCLUDED IN THE HOUSE-PASSED BILL

[In percent of payroll]

Item	OASI	DI	Total
Long-range actuarial balance under present law.....	-6.06	-2.14	-8.20
Wage-indexed decoupling.....	3.72	1.07	4.80
Freeze the minimum benefit ¹.....	.07	.02	.08
Retirement test.....	-.23		-.23
Delayed-retirement increment.....			.00
Marriage/remarriage.....	-.08		-.08
Original actuarial reduction factor.....	.25		.25
Miscellaneous provisions ²			
Increase in taxable wage base.....	.46	.08	.54
Increase in self-employment tax rates.....	.08	.02	.10
Tax rate increases.....	.56	.56	1.12
Total effect of changes in the bill.....	4.83	1.75	6.58
Long-range actuarial balance under the bill.....	-1.23	-.39	-1.62

¹ Includes updating the special minimum and providing for automatic increases after 1979.

² Includes equal treatment by sex, employer liability for taxes on minimum wage for employees receiving tips, correction of the flaw in present law regarding limited

partnerships, elimination of retroactive payments of actuarially reduced benefits, reducing marriage requirements from 20 to 5 yr for certain divorced beneficiaries, and annual reporting of earnings.

TABLE H-9.—CHANGES IN THE ACTUARIAL BALANCE OF THE HOSPITAL INSURANCE PROGRAM OVER THE LONG-RANGE PERIOD (1977-2001) AS A RESULT OF CHANGES INCLUDED IN THE HOUSE-PASSED BILL

[In percent of payroll]

Item	Percent
Long-range actuarial balance under present law.....	-1.16
Increase in taxable wage base.....	+.25
Eligibility requirements regarding marriage/remarriage and divorce.....	-.02
Miscellaneous provisions.....	
Revised tax schedule.....	-.11
Total effect of changes in bill.....	+.12
Long-range actuarial balance under bill.....	-1.04

SENATE BILL

**C. LONG-TERM ESTIMATES PREPARED BY THE SOCIAL SECURITY
ADMINISTRATION ACTUARY**

TABLE S-8.—CHANGES IN ACTUARIAL BALANCE OF THE OASI AND DI PROGRAM OVER LONG-RANGE PERIOD (1977-2051) AS A RESULT OF CHANGES INCLUDED IN THE SENATE-PASSED BILL

[In percent of payroll]

Item	OASI	DI	Total
Long-range actuarial balance under present law.....	-6.06	-2.14	-8.20
Changes in benefit formula.....	3.45	1.01	4.46
Effect of decoupling.....	9.63	2.32	11.95
Effect of new (wage-indexed) benefit formulas.....	-6.18	-1.31	-7.49
Freeze the minimum benefit.....	.07	.02	.08
Pension offset.....	.05	.00	.05
Retirement test.....	-.18	.00	-.18
Delayed retirement increment for widows and widowers; and employer tax relief for affiliated corporation.....	-.01	.00	-.01
Eliminating retroactive payment of actuarially reduced benefits.....	.01	.00	.01
Original actuarial reduction factor.....	.25	.00	.25
Elimination of workmen's compensation offset.....	.00	-.04	-.04
Special benefits for blind persons.....	.01	-.27	-.26
Semiannual benefit adjustments.....	-.02	-.01	-.03
Increase in taxable wage base for employers.....	.20	.05	.25
Increase in taxable wage base for employees and self-employed persons.....	.05	.01	.06
Increase in self-employment tax rates.....	.09	.02	.11
Tax rate increases.....	2.18	1.09	3.27
Total effect of changes in the bill.....	6.14	1.87	8.01
Long-range actuarial balance under the bill.....	.08	-.27	-.18

TABLE S-9.—CHANGES IN THE ACTUARIAL BALANCE OF THE HOSPITAL INSURANCE PROGRAM OVER THE LONG-RANGE PERIOD (1977-2001) AS A RESULT OF CHANGES INCLUDED IN THE SENATE-PASSED BILL

[In percent of payroll]

Item	Percent
Long-range actuarial balance under present law.....	-1.16
Increase in wage base for employers.....	+.07
Increase in earnings base for employees and self-employed persons.....	+.05
Eligibility requirements for blind workers.....	-.02
Miscellaneous provisions.....	.....
Revised tax schedule.....	-.18
Total effect of changes in bill.....	-.08
Long-range actuarial balance under bill.....	-1.24

HOUSE BILL

TABLE H-10.—ESTIMATED EXPENDITURES OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL UNDER THE HOUSE-PASSED BILL, FOR SELECTED YEARS 1977-2055

[In percent]

Calendar year	Expenditures as percent of taxable payroll ¹			Tax rate in bill	Difference
	Old-age and survivors insurance	Disability insurance	Total		
1977.....	9.39	1.50	10.89	9.90	-0.99
1978.....	9.05	1.48	10.52	10.10	-.42
1979.....	8.91	1.47	10.38	10.10	-.28
1980.....	8.75	1.48	10.23	10.10	-.13
1981.....	8.63	1.49	10.12	10.50	.38
1982.....	8.88	1.53	10.41	10.70	.29
1983.....	8.94	1.57	10.51	10.70	.19
1984.....	9.00	1.62	10.62	10.70	.08
1985.....	9.03	1.66	10.68	11.30	.62
1986.....	9.09	1.70	10.79	11.30	.51
1987.....	9.13	1.74	10.87	11.30	.43
1988.....	9.05	1.79	10.84	11.30	.46
1989.....	8.98	1.83	10.81	11.30	.49
1990.....	8.90	1.87	10.77	12.40	1.63
1991.....	8.88	1.91	10.80	12.40	1.60
1992.....	8.87	1.95	10.82	12.40	1.58
1993.....	8.86	1.99	10.85	12.40	1.55
1994.....	8.85	2.03	10.88	12.40	1.52
1995.....	8.85	2.07	10.92	12.40	1.48
1996.....	8.82	2.12	10.95	12.40	1.45
1997.....	8.81	2.18	10.98	12.40	1.42
1998.....	8.79	2.23	11.02	12.40	1.38
1999.....	8.79	2.28	11.07	12.40	1.33
2000.....	8.78	2.34	11.12	12.40	1.28
2001.....	8.80	2.40	11.19	12.40	1.21
2005.....	8.86	2.64	11.50	12.40	.90
2010.....	9.43	2.88	12.31	12.40	.09
2015.....	10.59	2.99	13.58	12.40	-1.18
2020.....	12.10	3.02	15.12	12.40	-2.72
2025.....	13.61	2.91	16.52	12.40	-4.12
2030.....	14.47	2.77	17.25	12.40	-4.85
2035.....	14.65	2.70	17.34	12.40	-4.94
2040.....	14.09	2.71	16.80	12.40	-4.40
2045.....	13.62	2.79	16.41	12.40	-4.01
2050.....	13.47	2.82	16.29	12.40	-3.89
2055.....	13.52	2.83	16.35	12.40	-3.95
25-yr averages:					
1977-2001.....	8.91	1.85	10.76	11.52	.76
2002-26.....	10.73	2.86	13.59	12.40	-1.19
2027-51.....	14.06	2.76	16.82	12.40	-4.42
75-yr average: 1977-2051.....	11.24	2.49	13.73	12.11	-1.62

¹ Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5½ percent in average wage in covered employment and 4 percent in

Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contributions rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

SENATE BILL

TABLE S-10.—ESTIMATED EXPENDITURES OF OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE SYSTEM AS PERCENT OF TAXABLE PAYROLL UNDER THE SENATE-PASSED BILL, FOR SELECTED YEARS 1977-2055

[In percent]

Calendar year	Expenditures as percent of taxable payroll ¹			Tax rate in bill	Difference
	Old-age and survivors insurance	Disability insurance	Total		
1977-----	9.39	1.50	10.89	9.90	-0.99
1978-----	9.37	1.60	10.97	10.10	-.87
1979-----	8.79	1.55	10.35	10.17	-.18
1980-----	8.73	1.58	10.31	10.17	-.14
1981-----	8.67	1.61	10.29	10.70	.41
1982-----	8.76	1.66	10.42	10.80	.38
1983-----	8.79	1.71	10.51	10.80	.29
1984-----	8.88	1.77	10.65	10.80	.15
1985-----	8.81	1.79	10.60	11.40	.80
1986-----	8.87	1.84	10.71	11.40	.69
1987-----	8.93	1.89	10.82	11.40	.58
1988-----	8.93	1.97	10.90	11.40	.50
1989-----	8.93	2.04	10.98	11.40	.42
1990-----	8.93	2.12	11.05	12.30	1.25
1991-----	8.95	2.18	11.13	12.30	1.17
1992-----	8.97	2.24	11.22	12.30	1.08
1993-----	9.00	2.31	11.31	12.30	.99
1994-----	9.03	2.37	11.40	12.30	.90
1995-----	9.06	2.44	11.50	13.40	1.90
1996-----	9.07	2.50	11.57	13.40	1.83
1997-----	9.08	2.57	11.65	13.40	1.75
1998-----	9.10	2.64	11.73	13.40	1.67
1999-----	9.12	2.70	11.83	12.40	1.57
2000-----	9.14	2.77	11.91	13.40	1.49
2001-----	9.16	2.84	12.00	14.60	2.60
2005-----	9.21	3.11	12.32	14.60	2.28
2010-----	9.79	3.37	13.16	14.60	1.44
2015-----	10.97	3.50	14.46	15.60	1.14
2020-----	12.53	3.52	16.05	15.60	-.45
2025-----	14.07	3.40	17.47	15.60	-1.87
2030-----	14.95	3.25	18.20	15.60	-2.60
2035-----	15.03	3.15	18.18	15.60	-2.58
2040-----	14.54	3.18	17.72	15.60	-2.12
2045-----	14.05	3.27	17.32	15.60	-1.72
2050-----	13.89	3.30	17.19	15.60	-1.59
2055-----	13.96	3.32	17.28	15.60	-1.68
25-yr averages:					
1977-2001-----	8.98	2.09	11.07	11.88	.81
2002-26-----	11.12	3.35	14.47	15.24	.77
2027-51-----	14.50	3.23	17.73	15.60	-2.13
75-yr average: 1977-2051-----	11.53	2.89	14.42	14.24	-.18

¹ Expenditures and taxable payroll are calculated under the intermediate set of assumptions (alternative II) which are described in the 1977 Report of the Board of Trustees of the Federal Old-Age and Survivors Insurance and Disability Insurance Trust Funds. These assumptions incorporate ultimate annual increases of 5¾ percent in average wage in covered employment and 4 percent in

Consumer Price Index, an ultimate unemployment rate of 5 percent, and an ultimate total fertility rate of 2.1 children per woman. Taxable payroll is adjusted to take into account the lower contributions rates on self-employment income, on tips, and on multiple-employer "excess wages" as compared with the combined employer-employee rate.

D. NON-OASDI PROVISIONS IN SENATE BILL

TABLE S-11.—ESTIMATED BUDGETARY IMPACT OF NON-OASDI PROVISIONS

[In billions]

	Fiscal year—				
	1978	1979	1980	1981	1982
Fiscal relief for welfare costs.....	0.37				
AFDC earned income disregard.....	-.18	-0.23	-0.24	-0.26	-0.28
Prohibition against veterans pension reduction for OASDI.....			.11	.26	.39
Education tax credit (revenue reduction).....	.18	1.27	1.20	1.22	1.24
Federal liability for certain State SSI errors.....		(1)			

¹ Estimated cost of \$0.001 billion.

Source: CBO.

TABLE S-12.—DISTRIBUTION OF FISCAL RELIEF FOR WELFARE COSTS UNDER SENATE BILL

State	Amount (thousands)	Percent of total	State	Amount (thousands)	Percent of total
Total.....	\$374,000	100.0	Montana.....	\$893	0.2
Alabama.....	4,360	1.2	Nebraska.....	1,644	.4
Alaska.....	740	.2	Nevada.....	622	.2
Arizona.....	2,614	.7	New Hampshire.....	977	.3
Arkansas.....	2,721	.7	New Jersey.....	13,902	3.7
California.....	50,490	13.5	New Mexico.....	1,843	.5
Colorado.....	3,541	1.0	New York.....	52,921	14.2
Connecticut.....	4,939	1.3	North Carolina.....	7,006	1.9
Delaware.....	1,045	.3	North Dakota.....	658	.2
District of Columbia.....	2,410	.6	Ohio.....	15,604	4.2
Florida.....	7,903	2.1	Oklahoma.....	3,454	.9
Georgia.....	5,876	1.6	Oregon.....	4,438	1.2
Hawaii.....	2,277	.6	Pennsylvania.....	22,481	6.0
Idaho.....	1,023	.3	Rhode Island.....	1,810	.5
Illinois.....	23,239	6.2	South Carolina.....	3,333	.9
Indiana.....	6,073	1.6	South Dakota.....	912	.2
Iowa.....	3,897	1.0	Tennessee.....	4,950	1.3
Kansas.....	2,996	.8	Texas.....	11,630	3.1
Kentucky.....	5,690	1.5	Utah.....	1,728	.5
Louisiana.....	5,992	1.6	Vermont.....	966	.3
Maine.....	1,961	.5	Virginia.....	6,348	1.7
Maryland.....	6,539	1.8	Washington.....	5,455	1.5
Massachusetts.....	14,344	3.8	West Virginia.....	2,670	.7
Michigan.....	21,043	5.6	Wisconsin.....	8,572	2.3
Minnesota.....	6,443	1.7	Wyoming.....	436	.1
Mississippi.....	3,271	.9	Guam.....	94	(1)
Missouri.....	6,260	1.7	Puerto Rico.....	899	.2
			Virgin Islands.....	65	(1)

¹ Less than 0.05 percent.

House of Representatives

THURSDAY, NOVEMBER 3, 1977

REQUEST FOR PERMISSION TO APPOINT CONFEREES ON H.R. 9346 AT ANY TIME HOUSE IS IN SESSION

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that on any day when the House is in session and a message has been received from the Senate returning the bill H.R. 9346 with Senate amendments thereto, it shall be in order to take from the Speaker's table the bill H.R. 9346, with the Senate amendments, disagree to the Senate amendments, and request a conference or agree to the conference requested by the Senate and that the Speaker be authorized to appoint House conferees without intervening motion.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

Mr. ANDERSON of Illinois. Mr. Speaker, reserving the right to object, would the distinguished chairman of the Committee on Ways and Means explain what this bill involves?

Mr. ULLMAN. Mr. Speaker, if the gentleman will yield, the Senate presently is in consideration of the social security bill. It is a matter of great urgency that the conferees work on it during the intervening time. If the Senate should get it in time to vote and go to conference this afternoon, we would do so; but it is anticipated that probably will not happen. In that event, we are asking unanimous consent that conferees can be appointed on any day that the House is in session so we can move into conference on the bill.

Mr. ANDERSON of Illinois. Mr. Speaker, I withdraw my reservation.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

Mr. BAUMAN. Mr. Speaker, further reserving the right to object, the gentleman's request did not say germane amendments. It is the habit of the other

body to load down legislation with almost anything they can load on, particularly those that have some political usefulness.

Mr. Speaker, if the gentleman would amend the request to say nongermane amendments, I would not object; but I think otherwise it is a very broad request for the Speaker, without concurrence of the House.

Mr. ULLMAN. Mr. Speaker, if the gentleman will yield, let me say that the House conferees will do everything in their power to stay with the germane amendments and with the House bill; but I think there is no way that we could handle that matter in this request in the way suggested by the gentleman from Maryland.

Mr. BAUMAN. The gentleman could handle it very easily by amending the request to ask for this power if the bill comes over with germane amendments.

Mr. ULLMAN. Let me say to the gentleman that the House will be fully protected on any nongermane amendments. There are procedures that allow for separate votes on those matters under the rules. I think it would be very unwise of this body to tie the conferees up in the manner suggested, but I just want to assure the gentleman that the conferees are going to do everything in their power to hold to the House position and hold to germaneness.

Mr. BAUMAN. Mr. Speaker, I withdraw my reservation of objection.

Mr. KETCHUM. Mr. Speaker, reserving the right to object, I would like to ask the chairman of the Ways and Means Committee this: What the gentleman is asking is unanimous consent to appoint conferees at any time that the social security bill might be passed by the other body?

Mr. ULLMAN. At any time that there is a pro forma session of the House, and after the papers have been returned, I am asking unanimous consent that conferees can be appointed so we then can go to conference on the social security bill.

Mr. KETCHUM. Further reserving the right to object, in other words, if the other body were, by some stretch of the imagination, to pass the social security bill tomorrow or today, then next Tuesday—if that is the first pro forma session—the gentleman could then ask to go to conference?

Mr. ULLMAN. That is the purpose of the request, that the conferees be named and that we go to conference with the Senate.

Mr. KETCHUM. In other words, we would go to conference like next Tuesday or next Wednesday?

Mr. ULLMAN. It would be the intention of the chairman of the Ways and Means Committee to make the request as soon as the Senate passes the social security bill and we get the papers over here. Then, the first meeting thereafter, the chairman of the Ways and Means Committee would make the request.

Mr. KETCHUM. Further reserving the right to object, what I am trying to determine is, does the gentleman mean that if the conferees were appointed by next Tuesday, the first pro forma ses-

sion, then they could presumably go to conference before Thanksgiving?

Mr. ULLMAN. Oh, it would be my hope that we could meet immediately when the conferees are appointed.

Mr. KETCHUM. Mr. Speaker, I object.
The SPEAKER. Objection is heard.

Speaker's table the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes with a Senate amendment thereto, disagree to the Senate amendment, and agree to the conference asked by the Senate.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

There was no objection.

PREFERENTIAL MOTION TO INSTRUCT CONFEREES OFFERED BY MR. ARCHER

Mr. ARCHER. Mr. Speaker, I offer a preferential motion.

The Clerk read as follows:

Mr. ARCHER moves that the managers on the part of the House at the conference on the disagreeing vote of the two Houses on the bill H.R. 9346 be instructed to insist on section 501 of the bill, H.R. 9346, as adopted by the House, to provide for the liberalization and eventual repeal of the earnings test for individuals age 65 and over under the Old-Age, Survivors and Disability Program of the Social Security Act.

The SPEAKER pro tempore. The gentleman from Texas (Mr. ARCHER) is recognized for 1 hour.

(Mr. ARCHER asked and was given permission to revise and extend his remarks.)

Mr. ARCHER. Mr. Speaker, for purposes of debate only, I yield 30 minutes to the gentleman from Oregon (Mr. ULLMAN) and reserve the other 30 minutes for myself. At this time I yield myself such time as I may consume.

Mr. Speaker, the motion I have offered would instruct the House conferees on social security to insist on a provision to eliminate by 1982 the ceiling on earnings of beneficiaries aged 65 or older.

The provision was an amendment approved in the House by a vote of 268 to 149, offered by the gentleman from California (Mr. KETCHUM), and it clearly demonstrates that more than 60 percent of this House want this provision included in the bill.

Because of that mandate, because of the widespread support of this change which has been expressed over the years and because of the merits of the provision itself, we should act now to instruct our conferees on this one issue.

Until the ceiling on the earnings of social security retirees is lifted, our entire society will remain the loser. It will continue to lose the services of wise and experienced workers who simply cannot afford to work for substantial pay because, if they do, they will lose their valued social security benefits.

Millions of retirees are individual losers, too, of course, because they face

APPOINTMENTS OF CONFEREES ON
H.R. 9346, SOCIAL SECURITY FI-
NANCING AMENDMENTS OF 1977

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent to take from the

a potential loss of benefits if they pursue gainful employment. They are forced to adopt artificial work practices. They cannot work that extra hour; they cannot sell that extra item because either move would put their earnings over the ceiling. It also creates an incentive to circumvent the law by working for unreported cash.

It is time, Mr. Speaker, to put an end to this waste, in taxes and economic activity and in human lives.

One argument that is often made against the repeal of the earnings limitation is that it would not help the many people who work in arduous tasks throughout their careers, and do not want to continue when they reach 62, or 65. The answer is that repeal of the earnings limitation would not in any way be disadvantageous to these people, and it could be helpful to them. It would give those who have done backbreaking work an opportunity to draw their social security benefits while turning to some entirely different type of gainful employment which they might have wanted to pursue all their lives, but could not afford to do so because they were locked economically into an unwanted career.

Mr. Speaker, we simply face the fact that changing demographics are changing America. In 1935, when the Social Security Act was signed, American males aged 65 could look forward to, on the average, another 11.9 years of life. Females at that time could expect to live an average of about 13 years beyond age 65. But today, the life expectancy of an American male aged 65 is almost 14 years, and for an American female it is 18 years.

Mr. ROUSSELOT. Mr. Speaker, will the gentleman yield?

Mr. ARCHER. I yield to the gentleman from California.

Mr. ROUSSELOT. I appreciate my colleague yielding to me.

So that, the point of this motion to instruct is to reinforce the support that this House gave by voting for the Ketchum amendment to eliminate the earnings limitation for senior citizens beyond 1982?

Mr. ARCHER. That is correct, to permit them to continue to work without suffering any loss of their social security benefits after age 65.

Mr. ROUSSELOT. And especially because so many senior citizens are also now living longer and want to earn their way?

Mr. ARCHER. That is correct.

Mr. ROUSSELOT. I appreciate the gentleman offering this motion to instruct. It is appropriate, and I join him in his strong effort.

Mr. ARCHER. By the year 2050 these expectancies will have reached 15 years for American men and 20 years for American women. In short, men will be living at least 3 years longer, and women about 7.

Mr. ICHORD. Mr. Speaker, will the gentleman yield?

Mr. ARCHER. I yield.

Mr. ICHORD. I listened very intently to the distinguished gentleman from Texas, and I cannot disagree with any-

thing that he has said. He has made a very excellent statement, but we must realize that when we increase the benefits that are paid out, we must somewhere get the contributions.

I would like to ask the gentleman from Texas as to how he would increase the contributions into the trust fund.

Mr. ARCHER. I would say to the gentleman that the increased economic activity in this country generated by the creativity of people over 65 and their work efforts will produce far more than the increased benefits in additional taxes coming into the Treasury of the United States, through income taxes and social security taxes paid on the earnings of persons over 65. We are suffering a tremendous loss of wasted human productivity at this time.

Mr. ICHORD. Was that the gentleman's thought?

Mr. ARCHER. In addition, the Ketchum amendment itself carries provisions to provide the necessary funds.

To continue with my statement, not only are our people living longer, they are living longer productive lives. Medical literature clearly indicates an improvement in health levels of older persons, compared with 20 or 40 years ago. Better diets, more widely available health services, and improved medicines have combined to keep more Americans more active, both mentally and physically, for increasingly long periods of time.

It also is argued by those opposed to repeal of the earnings limitation that those workers who retire early do so because of ill health, and therefore could not work past 65 anyway. A 1976 Social Security Administration survey report did, in fact, state that "falling health is the most important reason described by over half the men claiming reduced benefits." But this retrospective analysis contradicts prospective studies, and in a number of instances might reflect an understandably defensive response offered by persons who are attempting to rationalize an earlier decision to retire by pleading ill health because it is a reason readily acceptable to society.

On the other side of this retirement coin, there are those who believe—and I happen to be one of them—that enforced retirement actually may cause ill health and reduced longevity. I have talked with a number of physicians, some of whom testified before our committee, who also believe that quitting work too early has been in many cases a contributing factor in disease and death.

Still another off-heard argument against repealing the earnings limitation is that if older persons keep on working, there will be fewer jobs for younger people trying to break into the labor force. But this never has been proved as an overall effect. An economist who also is a recognized expert on social security recently pointed out that in 1950, when the unemployment rate for males 20 years and older was just 5 percent, more than 45 percent of males aged 65 or older were still in the labor force. Yet in 1975, when the unemployment rate for males 20 years old or older was 9 percent, only

about 21 percent of the males aged 65 or older were in the labor force.

The contention that more older workers automatically mean fewer younger workers just does not stand up statistically.

In years ahead, the U.S. labor force will need more older workers, not fewer, because fewer younger workers will be entering the work force as a result of our reaching the population zero birth rate several years ago.

In addition, the social security system, to my knowledge, is the only pension system in this country where an individual can pay in all of his or her working life and then, at the age of retirement, be prevented from drawing benefits just because he or she decided to take another job. This is not true of any private pension system that I know of. It is not true of our military pension system, where military personnel can retire at a very early age on a Federal pension and still work at another job without losing any part of the pension. All Federal employees can retire under the Federal alternative program to social security, and get another job and continue to draw their Federal retirement benefits. All Congressmen can retire under their Federal retirement system, obtain large earnings from another job, and still draw their benefits. But the social security recipient cannot. This, to me, is grossly unfair.

Beyond these points, however, lies an even more important issue, involving not only the growth of jobs and the economy, but the ways in which we make them grow. Our aim should be to strengthen the economy as much as possible, thereby creating enough jobs to enable all our citizens to be productive, just as long as they want to be.

This would be highly regenerative, morally and economically. It would utilize the creative talents and experience of millions of Americans to produce a bigger national pie of goods and services for all Americans to share, improving the standard of living and the quality of life for all our people.

Mr. Speaker, that is the direction in which I believe this motion points, and I urge my colleagues to help get us moving in this direction.

Mr. BURKE of Massachusetts. Mr. Speaker, will the gentleman yield at that point to answer one question?

Mr. ARCHER. Mr. Speaker, I have a limited amount of time. I am forced to yield time on this side, and if there is any time left after that, I will be glad to yield to the gentleman. If the gentleman from Oregon (Mr. ULLMAN) will yield me the time, I would be glad to answer the question.

Mr. ULLMAN. Mr. Speaker, I yield myself such time as I may consume, and I yield to the chairman of the Subcommittee on Social Security, the gentleman from Massachusetts (Mr. BURKE).

Mr. BURKE of Massachusetts. Mr. Speaker, I would like to ask the gentleman from Texas (Mr. ARCHER) if it is not true that we would be putting a tax of \$3 billion to \$3.5 billion on business and employees in this country if we were to adopt this ridiculous and outrageous provision?

Mr. ARCHER. Mr. Speaker, if the gentleman from Oregon will yield for a response, the actuarial expert tells me that the cost of this particular amendment is only one-tenth of 1 percent of the payroll. That is all it amounts to, and that estimate does not include provision for any extra social security taxes paid into the system on the extra earnings of persons over 65. For this reason I believe it is faulty and grossly exaggerates the net cost to the fund.

Mr. ULLMAN. Mr. Speaker, let me urge my colleagues not to take this very drastic step of moving to instruct conferees on an issue that is as far-reaching as the one we will have in our conference dealing with the exempt earnings for social security benefits eligibility. I urge my colleagues to let the legislative process work.

The assumption somehow is that the conferees are not committed to the House bill, and I want to say that the chairman of this committee will always be committed to the House position. On the other hand, the nature of a conference is that the goal is always to reach an agreement between the positions of the House and the other body. The conditions of a conference demand flexibility in order to allow the decisionmaking process to work.

It is not possible, of course, for the House to bind conferees. That is obvious by the very nature of the process. To instruct conferees, even though we cannot bind conferees, seems to me to be a procedure that should be used very sparingly.

Let me say that it is the intention of the chairman of the Committee on Ways and Means, while he certainly cannot commit the other conferees, to bring back from the conference a bill on which the majority of the House can agree and can support. That includes certain actions in this area that are very important, and in making that consideration, the conferees are going to have to look at other pieces in the package.

They are going to have to look to the long-range actuarial soundness of the social security system. They are going to have to do that with a sense of responsibility, both to those who are paying into the system and those who are the recipients of the benefits.

So, Mr. Speaker, I urge the Members of this body to vote against the motion to instruct and to give the conferees, by voting against the motion to instruct, a vote of confidence, so that they may indeed live up to their responsibilities and bring back the very best bill that they can get in their conference with the Senate.

Mr. MOAKLEY. Mr. Speaker, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from Massachusetts.

(Mr. MOAKLEY asked and was given permission to revise and extend his remarks.)

Mr. MOAKLEY. Mr. Speaker, I rise in opposition to the motion offered by the gentleman from California (Mr. KETCHUM). I should stress that I voted for the amendment when the gentleman offered it during consideration of the Social Security Financing Amendment (H.R.

9346) and, as a member of the Committee on Rules, I supported efforts to have the amendment made in order under the rule.

I am therefore in the position of opposing a motion to instruct conferees to insist on an amendment I have strongly supported. I do not see any inconsistency in this position. I believe that instructions to conferees are appropriate only in extraordinary cases.

I should point out that the managers for each House do not enter a conference without limitation under the standing rules. Clause 3 of rule XXVIII prohibits consideration in the House of a conference report which exceeds the scope of the conference. While this is frequently a difficult question for the Chair, rulings on points of order raised on the question of scope are extremely straightforward when specific dollar amounts are involved. For each year, the conferees will be limited by the lowest and highest figures. It appears to me that it might be useful to insert in the Record a summary on the limitations on the conferees:

Year	Outside earnings which may be contained in conference report		Ketchum motion
	Lowest limitation	Highest limitation	
1978-----	\$4,000	\$4,500	\$4,000
1979-----	4,500	6,000	4,500
1980-----	5,000	16,000	5,000
1981-----	5,500	16,000	5,500
After 1981----	(¹)	16,000	(²)

¹ After 1979, the Senate bill provides that the \$6,000 ceiling will be adjusted to reflect inflation by the same factor used to adjust benefits.

² No limitation.

Thus, Mr. Speaker, if the Ketchum motion were to prevail, it is possible that a worker over 65 years of age earning \$6,000 now would have gotten \$2,250 less in benefits during 1979 through 1981 under the motion than would be possible without instructions.

Although the motion would instruct House conferees to insist on language with no limitation after 1981, only well paid workers would be able to make up the money lost in the next 4 years.

If, during the course of the conference, it appears that the conferees are prepared to agree on a figure the House cannot accept, a motion may be made in the House to instruct conferees or the report itself can be sent back to conference. But I cannot support an effort to send our managers into conference bound to the lower House figures for the next 4 years simply to insure that the complete repeal of limitations after 1981 will be included in the report especially since it would be perfectly possible even without instructions.

Mr. ARCHER. Mr. Speaker, I yield 4 minutes to the gentleman from California (Mr. KETCHUM).

(Mr. KETCHUM asked and was given permission to revise and extend his remarks.)

Mr. KETCHUM. Mr. Speaker and Members of the House, some Members may possibly have heard that it was my objection to the appointing of conferees on an ill-advised unanimous-consent request by the chairman of the Committee

on Ways and Means that held up consideration or going to conference on this particular bill.

Let me say, in no uncertain terms, that I did, indeed, object; and we are today participating in an exercise, right here and now, which the chairman of the Committee on Ways and Means would have precluded us from doing had we appointed conferees in a pro forma session.

Suffice to say, Mr. Speaker, that I was mildly surprised and terribly disappointed in the leadership of my committee because the chairman of the Committee on Ways and Means and all of the members knew, beyond a shadow of doubt, for what reason I objected to the appointing of conferees in a pro forma session. I was surprised that the chairman did not mention that to the press.

We had a great conversation in H-208 right after I objected; and in that discussion, which became heated at times, I explained not once, not twice, but three times why I had objected—because under the appointing of conferees in a pro forma session, not one Member would have been able to offer a motion to instruct conferees.

One other advantage accrued to this body, in my opinion, by the delay; and that is that each and every one of my colleagues have had time to listen to their constituents, who told them what they thought of the social security bill during the recess. I am sure our constituents have discussed it at some length with all of us.

Mr. Speaker, I think it is important to have that input before we go to conference. There is nothing lost. Nothing has been lost. Conferees will now be appointed. We will go to conference, and undoubtedly we will come back with some kind of bill.

Mr. Speaker, I sincerely hope that this body will concur with the Archer amendment, will concur with the overwhelming desires of this House, as expressed during the debate on the social security bill, to instruct the conferees to hang tough on the amendment which this House overwhelmingly adopted, and that is, to phase out the earnings limitation for those individuals over 65 years of age.

Mr. Speaker, the specious argument is made—and I heard it made by a Member of the other body, and I heard it made by the chairman of the committee during the course of our debate—that if we remove this earnings limitation, only the rich, the doctors, the lawyers, the architects will benefit.

Nothing could be further from the truth. The rich, the architects, the doctors, the lawyers, all of them are the individuals who have unearned income, dividend income, rental income, all sorts of investments that they have made; and no limitation is made on that unearned income.

Therefore, Mr. Speaker, I ask the Members to speak up; speak up for those individuals, those thousands of retired individuals who have been deprived through inflation, much of which is created in this body right here. I ask the Members to stand up for those people, give them this amendment, and insist

that our conferees carry that message to the other body.

Mr. ARCHER. Mr. Speaker, I yield 1½ minutes to the gentleman from California (Mr. LAGOMARSINO).

(Mr. LAGOMARSINO asked and was given permission to revise and extend his remarks.)

Mr. LAGOMARSINO. Mr. Speaker, I rise in support of the motion to instruct our conferees to insist on the Ketchum amendment to H.R. 9346 to phase out the earnings limitation for social security recipients. I do not know how many of the Members had the opportunity to see the article in Monday's Los Angeles Times on this issue. The article spoke of two persons age 67 who receive \$3,744 a year in social security benefits. One works at a menial job for 6 months of the year just to make ends meet. But for every dollar he earns over \$3,000, he loses half that much in benefits.

The other retiree, according to the Times, lives on easy street. In addition to his social security benefits, he receives \$100,000 a year in investment dividends—without lifting a finger.

This anomaly is caused by laws now on the books requiring earned income exceeding \$3,000 a year to be, in effect, taxed at a 50-percent rate by the social security administration. No such penalty is levied against the coupon clipper.

It is beyond me how anyone can say this is fair. The Ketchum amendment would do away with this discriminatory provision of the law—a provision which penalizes working people and deprives the economy of their talents and productive capacity. It has been said that the true test of any society is the way it treats its senior citizens. I say do away with this hated earnings test, and restore our senior citizens to the respect, and legal protection, they deserve.

The projections of cost do not include increased social security taxes that will be paid. It is my understanding that the Social Security Administration has refused to make such estimates or projections.

Mr. ARCHER. Mr. Speaker, for the purpose of debate only, I yield 3 minutes to the gentleman from Pennsylvania (Mr. COUGHLIN).

(Mr. COUGHLIN asked and was given permission to revise and extend his remarks.)

Mr. COUGHLIN. Mr. Speaker, I rise in support of the motion offered by the gentleman from Texas (Mr. ARCHER). As a sponsor of similar legislation to eliminate the earnings limitation on social security I think this measure is long overdue to provide this kind of relief.

At the appropriate time, Mr. Speaker, I will also seek to offer an amendment to the motion offered by the gentleman from Texas (Mr. ARCHER) to provide additional instructions to the conferees to agree to the Senate provision for a \$250 income tax credit for higher education expenses.

Mr. Speaker, my colleagues are well aware of the long history of this proposal whose time has certainly come.

It will be said that we are being asked to agree to a nongermane Senate

amendment but the fact is that this House has been denied time after time an opportunity to vote here in the House on education tax credits.

Many of my colleagues will remember during the dying hours of the last session of Congress, specifically on Wednesday, September 29, 1976, a commitment was made to bring this matter before the House for a vote. It was brought here under a procedure which was objected to successfully.

Such legislation to provide educational tax credits has been passed in the Senate in four out of the last five Congresses. Similar legislation has been introduced in this House by myself as long ago as 1970 and by numerous other Members. In fact, 210 Members of the House have sponsored some form of education tax credit legislation in this Congress alone. That warrants it being brought here for a vote.

On September 8, 1977, at the time of consideration of the second concurrent resolution on the Budget, a provision was made for this amendment. That provision was adopted by this House by a vote of 311 to 76.

The time has come, now, to provide some measure of tax relief to those who are struggling to meet the soaring costs of higher education. Seven years have elapsed since I first introduced this legislation. In that time the cost of such education has doubled, up over 50 percent, and in the community colleges and vocational schools, it has increased by 130 percent. Business can get a tax deduction for educational expenses, why cannot people get that kind of a deduction? This would not mean a revenue loss to the Government, but could instead result in a net tax revenue gain to the Government because the record shows that those with a higher education earn more than those who do not have such an education, and those with this education will pay taxes.

Mr. Speaker, at the appropriate time I hope to offer such an amendment to agree to the tuition tax credit provision.

Mr. ARCHER. Mr. Speaker, I yield 2 minutes to the congresswoman from New Jersey (Mrs. FENWICK).

Mrs. FENWICK. I thank my colleague for yielding.

Mr. Speaker, I intend to vote for the Archer motion to instruct the conferees, and I would like to tell my colleagues why.

Once, in a radio program in my home district, a woman telephoned in. She said:

I am 68 years old and I work to make a little extra as a parttime checker in the A&P.

This was at the end of the year and she went on—

By mistake—I make \$400 too much this year.

She started to cry and said:

Now they tell me I have to give some of it back; and coal has gone up to \$67 a ton.

I thought of everything that meant in the life of that woman: Wrestling with an old coal furnace, trying to make ends meet, living at the edge of possibility.

One of our colleagues has described those with large incomes, without worry, receiving untaxed social security. It just does not seem fair.

I think we must let the older people who want to earn a little extra to do so; that is my reason for supporting this amendment.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from California (Mr. DON H. CLAUSEN).

(Mr. DON H. CLAUSEN asked and was given permission to revise and extend his remarks.)

Mr. DON H. CLAUSEN. Mr. Speaker, I rise to support the motion of the gentleman from Texas (Mr. ARCHER) to instruct the conferees on the social security financing bill to insist on the phasing out of the earnings limitation placed on our senior citizens who receive social security benefits.

As an original cosponsor of legislation to accomplish this goal and having voted in favor of the amendment offered by the gentleman from California (Mr. KETCHUM), I want to continue my association with this effort and reemphasize the need to provide immediate relief to those people most severely affected by inflation, namely our senior citizens living on fixed incomes. The best and most effective way of providing this help is to remove the kinds of limitations which trap them into a position where they are dependent on Government programs for survival.

These people want the freedom to choose to continue working to supplement their retirement incomes without suffering a loss of benefits.

I urge my colleagues to support the motion.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Minnesota (Mr. FRENZEL).

(Mr. FRENZEL asked and was given permission to revise and extend his remarks.)

Mr. FRENZEL. Mr. Speaker, I rise in support of the Archer motion.

Mr. Speaker, I support the Archer motion to instruct our House conferees to support the elimination of the earnings limitation on social security.

The House voted, by a strong majority, to eliminate the inequitable restriction under which social security beneficiaries must lose benefits if they earn a certain amount of income. That decision ought to be supported in the conference committee.

Many social security recipients desire to work even after they begin receiving benefits. People ought to be encouraged to work. Many of our older citizens lose their sense of worth when they are forced to leave their jobs, or are not allowed to seek new jobs, because of this earnings limitation.

In my district, people constantly refer to the earnings limitation as the most inequitable single feature of our whole social security system. It is high time we got rid of it.

A vote for the Archer motion will not guarantee that we can get rid of the limit, but it will take us much closer to that goal. I urge an "aye" vote.

Mr. ARCHER. Mr. Speaker, I yield such time as he may consume to the gentleman from Pennsylvania (Mr. SCHULZE).

(Mr. SCHULZE asked and was given permission to revise and extend his remarks.)

Mr. SCHULZE. Mr. Speaker, I rise in support of the Archer motion.

Mr. Speaker, for the past several months, Members of both Houses of Congress have been debating the social security finance bill.

One of the most controversial and significant provisions, particularly for the elderly and others living on fixed incomes, is the amount of income which those receiving social security may earn in addition to their monthly benefits. No other aspect of the present law has attracted so much adverse reaction from the public. Hearings before the Ways and Means Subcommittee on Social Security, of which I am a member, produced more discussion and adverse testimony concerning the earnings limitations than any other issue. It is particularly necessary to consider the ramifications of this limitation at a time when there is concern for the well-being of our elderly citizens. It has finally been acknowledged that elderly Americans are an underutilized and long-ignored segment of our society who possess the knowledge and perspective from which we may all benefit.

The social security earnings limitation only serves as a disincentive to those senior citizens who can and want to continue contributing to our Nation and the economy. It is for this reason that I have consistently supported the removal of the earnings limitation and urge my colleagues to support its removal.

Not only will we be tapping a valuable human resource but we will also be generating additional tax revenues by removing any earnings limitation.

Finally, I personally believe that it is improper to say to the elderly, who have contributed so much that they can only draw full benefits if they abstain from employment which would pay more than a minimal amount.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the distinguished chairman of the Social Security Subcommittee, the gentleman from Massachusetts (Mr. BURKE).

Mr. BURKE of Massachusetts. Mr. Speaker, I thank the chairman for yielding.

Mr. Speaker, I think the issue here again is a little clouded. I just would like to have the attention of my good friend, the gentlewoman from New Jersey (Mrs. FENWICK).

I can understand her concern, and I am concerned also about these people, but this amendment goes a little bit further than that. This amendment removes the entire ceiling. If we would instruct the conferees to go in and do this, we are in a bind and we would have to levy a tax of \$3 billion to \$3.5 billion on the business firms and on the employees of this country to finance this provision.

We can raise the ceiling and raise it to a reasonable amount, but to abolish

the ceiling is an outrageous thing to do, because what we are doing is taking people who are earning up to \$100,000 a year and giving them their social security benefits and making an annuity program out of the social security system and breaking down the whole principle of social security, and we would be doing a most dangerous thing.

I am surprised and shocked to hear the people on that other side of the aisle supporting this when they are putting such a burden on the business firms of this country.

If the Members have been back home during the recess and if they have read their mail, they have found out the people in business and the employees oppose this regressive tax that this provision is going to cause.

There is no justification for it. We can raise the ceiling on earnings to a reasonable amount so that people in this country can earn a sufficient amount of money to get by, but we do not have to abolish the ceiling and take care of the fatcats in this country, take care of the high-rollers, take care of those people who need that provision like a hole in the head. There is no reason for it. There is no justification for it. There is a lack of common sense here.

I think if we are going to protect the social security system, we have to do something about the financing. There has been over \$20 billion of benefits added to this bill. We put an unmerciful weight on the shoulders of business in this country.

I have heard from 800 small business firms in my district who are concerned about this regressive tax. I think we should not bind the hands of the conferees. The conferees should go in there with at least some ability to adjust this tax and not instruct them to abolish this earnings ceiling entirely. We can raise the ceiling to a reasonable amount, even if that makes it \$6,000 or \$7,000 for the rate value, but to insist on abolishing the ceiling is an outrageous thing to do.

The SPEAKER. The time of the gentleman from Massachusetts has expired.

Mr. ULLMAN. Mr. Speaker, I yield 1 additional minute to the gentleman from Massachusetts.

Mr. KETCHUM. Mr. Speaker, will the gentleman yield?

Mr. BURKE of Massachusetts. I yield to the gentleman from California.

Mr. KETCHUM. Mr. Speaker, I thank the gentleman for yielding. We are old friends, as everyone in this House knows; but we are not talking about the \$100,000 fat cat. We are talking about the elderly eating dog food, as this House has discovered.

Mr. BURKE of Massachusetts. Then why not come back with a limitation on the earnings ceiling?

Mr. KETCHUM. We tried and we tried in the subcommittee unsuccessfully.

Mr. BURKE of Massachusetts. It costs \$3.5 billion in taxes to the business firms in this country. If the minority side wants to take that position, let them do it; but let them go back and be truthful and honest with their business firms and tell them we are driving them out of business.

We are driving the steel workers out of their jobs. We are driving the textile workers out of their jobs. We are driving the shoe workers out of their jobs, you name it, and these are the types of provisions that are doing it.

It is an irresponsible amendment that was not discussed fully enough in the last session when we adopted this amendment and we should not bind the hands of the conferees.

Mr. ULLMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Louisiana (Mr. WAGGONNER).

(Mr. WAGGONNER asked and was given permission to revise and extend his remarks.)

Mr. WAGGONNER. Mr. Speaker, in the interests of the social security system itself, I urge you to vote down this proposed instruction, and let me explain why.

The problem is far more difficult than most of us realize. Listen to me for a minute to what this House has done and what you are going to do to the social security system if you do not give us a chance to reconcile the problem itself. Now, the problem is money for social security. Whether you realize it or not, this House earlier this year did away in another piece of legislation with the mandatory retirement at age 65 and made it discretionary at 70 on the part of the employee. What that means is that if we instruct this conference committee on this matter we will further seriously jeopardize the trust fund. The conferees are going to be in the position of having to consider equating what we do with regard to social security with what we have already done on the discretionary retirement proposal. Even though we are talking about separate bills each affects the other.

Now, if we phase out the retirement test in 1982, we will then have a situation, and as desirable as it might be, practically, we cannot do it yet because of the financial state of the trust fund. We will have a situation where at age 65 every employee can at his or her discretion continue to work and be eligible for full social security retirement benefits between the age of 65 and 70.

Now, I know that we did not think when we passed the discretionary retirement bill at 70 that we would be faced with this problem; but nevertheless, we are, and we cannot consider either of them in isolation, if we are interested in preserving the integrity of the social security retirement system or private systems for that matter.

Now, I am one of these people who stood here and voted with the gentleman from California (Mr. KETCHUM). I voted for an increased limitation in the subcommittee and in the full committee; but it has dawned on me and I am trying to get you to see as well what we are doing in the transition period while we are trying to provide financing for the social security system if we force this additional conference burden on the House.

The SPEAKER. The time of the gentleman from Louisiana has expired.

Mr. ULLMAN. Mr. Speaker, I yield 2 additional minutes to the gentleman from Louisiana (Mr. WAGGONNER).

Mr. WAGGONNER. I would plead with the Members to reject this motion to instruct.

Mr. ARCHER. Mr. Speaker, will the gentleman yield?

Mr. WAGGONNER. I yield to the gentleman from Texas.

Mr. ARCHER. Does the gentleman actually stand in the well and tell this House that a Congressman who has paid in all his life to an alternative program to social security and can retire at age 60, can continue to get another high-paid job?

Mr. WAGGONNER. He could without having to be a social security recipient. Nobody can get it now without an earnings limitation. I am saying that we have to provide a transition that will allow us to not destroy, first of all, retirement systems that the business community of this country has, the land over. Nor should we further aggravate the social security trust fund.

I am saying, do not instruct us, and let us try to get into conference and try to work the matter out. The gentleman from Texas (Mr. ARCHER), my friend, is going to be a conferee. I am just saying that we are jeopardizing the social security trust fund at a time when it is already in serious jeopardy, and we should let the conference committee try to provide for a transition that will preserve the system.

Mr. ULLMAN. Mr. Speaker, I yield 3 minutes to the gentleman from Indiana (Mr. JACOBS).

Mr. JACOBS. Mr. Speaker, I think it might serve a useful purpose to get our terms in order here. This matter has been referred to as an "earnings limitation." That is legislatively inaccurate. The term is "retirement test," and the question is, What sense does it make to pay retirement benefits to somebody who is not retired?

The further point has been made that, after all, Members of Congress on their pensions are allowed unlimited earnings. And after all, people who have unearned income are allowed unlimited unearned income. But, when the insurance contract was made with the American people, the retirement test was later added in order to be sure that everybody understood, as he or she paid into the system, that he or she would have to be retired in order to receive retirement benefits.

Now, there are two ways to cure the disparity between the way Members of Congress are treated and the way social security people are treated. One way, the usual congressional national debt way, is to load the Christmas tree where the disparity is on the low side. The other way would be to stand up and vote a law that says that we cannot collect our retirement benefits if we take jobs to earn \$100,000 a year. Now, what we have here, in essence, is Robin Hood in reverse, because after everything is said that can be said, if this language is adopted it will indeed mean that the person who earns \$100,000 a year at age 65, 66, 67, and so on, can collect the social security benefits despite the fact that this person is not retired.

The other side of that some coin is that the poorest person in the land, run-

ning a lathe somewhere in a Ford plant, will have to pay into the system in order that those benefits can be paid. Now, I do not really think that we want to tell the public that we are going to look at the person that MILLICENT talked about, for whom we all have not only sympathy but willingness to take action, and say to that person—if there is only one in the country, and there are hundreds of them who will make the hundred thousand and collect a golf cart of money in social security benefits, "Have at it, hit the jackpot on the widow's mite."

I do not think we want to go on record as doing that. I support the chairman. Frequently, I do not, but at this time I do.

Mr. ULLMAN. Mr. Speaker, I yield 4 minutes to the gentleman from Illinois (Mr. MIKVA).

(Mr. MIKVA asked and was given permission to revise and extend his remarks.)

Mr. MIKVA. Mr. Speaker, I think I understand the strong feelings that the gentleman from Texas and the gentleman from California have about this general subject matter. The sympathy is one that I think all of us share. We are aware that there are some people who have been caught on the low end of the social security ladder and have been hurt by the earnings limitation put on them. That sympathetic feeling was one that reflected itself in the original action taken by the subcommittee and the full committee to raise the earnings limitation. It reflects itself in the even higher limitation that the Senate put on. But I think it gets put in an improper package when the whole limit is taken off, because then we are not expressing the sympathy to those people we are really concerned about, but we are expressing sympathy to all of the lawyers and doctors and dentists and other professionals by saying to them, "We know you are not going to retire at age 65 anyway, but go ahead and keep working and, in addition, you will collect full social security."

That was never the intention of the vote of the House, and yet that is the way it is going to come out. I would hope that, without an instruction, perhaps the conferees on the Senate side and on the House side could find some common ground to try to ease the burdens of those people we are financially concerned about, but not to throw out the baby with the bath water and end up with a \$30 billion load over a 5-year period under the social security system.

How long would it take for the Members of this body to vote \$30 billion in appropriations? I assure the Members that it would be more difficult to get a \$30 billion direct appropriation through than it was to get the original Ketchum amendment approved when we debated the social security bill or the consideration that we are devoting to this motion to instruct. Thirty billion dollars is the least that this will cost the system over that 5-year period. It may cost more. This may be the equivalent, in this bill, of what the Congress did a few years ago when it first created the coupling provision. It is such an open-ended exposure that no one can really properly estimate

its total cost. It seems ridiculous that we should not have only voted that way but we should now tell the conferees they should have their feet in concrete and not even talk to the Senate conferees on what ought to be done on this very, very difficult matter. I do not believe that the House conferees are insensitive to the concern the gentleman from California and the gentleman from Texas (Mr. ARCHER) are expressing. We would all like to do something for the elderly. We would all like to do something that makes it a little easier for them to get by on what is a minimum social security benefit at the bottom end. But we do not want to do that at the expense of breaking the system and we do not want to do that by adding still further to a very, very heavy tax burden that this bill is putting on the working people and the middle class.

I would only point out to my distinguished friend, the gentleman from Texas, that, while I appreciate his generosity and his concern for the senior citizens, I would feel a lot more comfortable about it if I knew he was going to vote for the final product. But I find it somewhat troublesome to know that my friend, the gentleman from Texas (Mr. ARCHER) and my friend, the gentleman from California (Mr. KETCHUM) who are urging an additional 3 billion expenditure here and urging an additional tax load imposed on the working people, are asking for us to do it while they will not bite the bullet and vote for the bill. I would urge those who did vote for the bill to think twice before going home and having to explain why they voted this way.

Mr. ARCHER. Mr. Speaker, will the gentleman yield?

Mr. MIKVA. I yield to the gentleman from Texas.

Mr. ARCHER. I thank the gentleman for yielding.

Mr. Speaker, I am not absolutely certain who the majority conferees will be from the House, but it is very nearly certain that every one of them voted against the Ketchum amendment on the floor, and that is the support for our concern.

Mr. MIKVA. Mr. Speaker, I would only say to my colleague that we all understand the rules, and I assume the conferees will attempt to support the House position. But at the same time, we ought to be aware of the very heavy burden that the House position is putting on the social security system.

Mr. ULLMAN. Mr. Speaker, I yield 3 minutes to the gentlewoman from Kansas (Mrs. KEYS), a very important member of the committee.

Mrs. KEYS. Mr. Speaker, much has been said on this issue, but sometimes I think we forget that social security benefits for old age were intended to compensate people for income that they had lost by retiring.

When we get down to the basic mistake in public policy that would be made by our adopting the complete removal of the retirement test, we have to look at the recent overwhelming action of both the House and the Senate in ending mandatory retirement at age 65.

Can we possibly say to our working men and women, those who are working at the low steps of income, that they have to pay additional taxes in addition to competing with those who are at the high level of income who, between the ages of 65 and 70, are still holding the jobs that the younger work force is seeking to fill?

As a matter of public policy, I do not think we can possibly say that to these people in our work force. I think that changes the entire way we have in the past looked at the retirement test, and it underscores the natural sensitivity all of us have because it has been far too low.

What does the National Council of Senior Citizens say about this? They say, "No." They say that it is a wrong policy. It is pointed out in their statement that the acceptance of a \$6,000 retirement test would provide an income that is very near to the average income of the average working man and woman, an income less than a thousand dollars below that of the person who is still working and who is probably still supporting a family.

I would like to quote from the end of the council's statement on this issue, as follows:

The elderly for whom added earnings and higher incomes would be of greatest help are the least likely to benefit. People who draw low benefits because they could not earn high salaries in their peak earning years, or whose health is too poor to permit them to continue earning, are not the sort who command salaries over \$6,000 in the best of circumstances. They will not be helped at all by ending the retirement test. Instead, billions of dollars will go to aid that 7 percent of the elderly best able to help themselves, and be unavailable to improve the conditions of the 93 percent whose need is much greater.

Mr. Speaker, let us look to our responsibilities and raise the retirement test to a decent level, but let us not perform the terrible, mistaken public policy of saying that our younger work force is going to have to pay for older members of the work force who would receive additional benefits when they are not retired. I urge the Members to vote against the Archer motion to instruct conferees.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Kansas (Mr. GLICKMAN).

(Mr. GLICKMAN asked and was given permission to revise and extend his remarks.)

Mr. GLICKMAN. Mr. Speaker, I supported the Ketchum amendment when it was offered before, and I still support it basically on its merits. But the longer I hear statements on the issue, the more I realize that only a fool never changes his mind when he finds he perhaps is wrong, or better yet, not entirely right.

Although I do not think the amendment is intrinsically wrong, I intend to vote against the motion to instruct conferees. I do not want to tie the hands of the conferees on an issue which I think is very complicated and on a matter which could turn out to be very costly.

When I went home recently, I must have made 20 speeches, and the main issue on which I was confronted was not gay rights, was not the Panama Canal, was not energy, but it was social security.

The main issue I heard related to rising wage rates and wage bases provided in our bill. Not once did this issue regarding the earnings limitation come up. But the main issue of rising social security taxes was so overwhelming on the part of my constituents that I do not think I am willing to tie the hands of the conferees on this bill on an issue which could raise these taxes fairly dramatically, even though the issue on the merits is still quite attractive.

I think this is an issue that should be compromised. The future of the social security system, even with this bill, is, in my mind, rather bleak, and while the issues raised by the Ketchum amendment are somewhat popular political issues, after I came back from Kansas I found the most popular issue to be lower social security taxes.

Mr. Speaker, I think it would be foolish for us to vote to instruct conferees and I urge the membership to vote down the motion to recommit.

Mr. GEPHARDT. Mr. Speaker, will the gentleman yield?

Mr. GLICKMAN. I yield to the gentleman from Missouri.

Mr. GEPHARDT. Mr. Speaker, I thank the gentleman for yielding.

I would like to make just one point. I voted against the Ketchum amendment, and I am not today going to go into the merits of that amendment again. I think the result was clear; the vote was 268 to 149.

This is a bicameral legislature, not a unicameral legislature. It seems to me that tying the hands of the conferees before the conference would be an extraordinary remedy. It seems to me the time for this motion to be made is after the conferees come back from the conference with a product, not before.

Therefore, Mr. Speaker, I urge the Members to vote against this motion.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Tennessee (Mr. ALLEN).

Mr. ALLEN. Mr. Speaker, those who have reached the age where they are entitled to receive social security benefits, for which they have already paid their taxes, should not be forced to retire in order to receive full benefits, or be penalized for having other sources of income. This is not required of those who have paid their premiums on annuity policies with private insurance companies, and it should not be required of those who have paid their premiums in the form of social security taxes. Furthermore, the more wealthy, who own stocks, bonds, real estate and other assets from which they draw an income, are not limited in the amount of income they may receive in order to qualify for full social security benefits. I can see no justification or defense for this kind of discrimination against the less fortunate of our citizens whose only income outside of social security is in the form of wages and salaries for work performed. Everyone should be treated alike.

The Government's failure to control spiraling inflation has hurt those on modest and fixed incomes. The elderly and people with disabilities, either temporary or permanent, and those who are

often without other sources of income, find that the meager increases in their social security payments have been offset by spiraling inflation.

There is no reason for those on a limited income to bear the often devastating consequences of Government policies that do nothing to control inflation. And certainly there is no reason for placing a limit on how much extra income a senior citizen receiving benefits may earn. Our society cannot afford to waste the special skills of our elderly by depriving them of their social security benefits if they choose to continue working.

It is Congress, and only Congress, which can correct this injustice. The right of those on social security to live in dignity, and not despair, is in the hands of the U.S. Congress, and I hope we will correct the present situation by passing this bill.

For these reasons, I most respectfully urge all Members of the House to adopt this motion to instruct the conferees to insist on the House language of the bill.

Mr. ULLMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, on this matter I urge my colleagues to vote on the side of responsible alternatives for the conferees. I ask them to recall what happened on the cost-of-living increase when the actuaries told us that that would do certain things and keep the trust fund in a sound actuarial posture.

That was the story when we adopted the cost-of-living increases. Then all at once, we woke up to the fact that it was destroying the social security fund over the long term. In this particular instance, I urge my colleagues to give the conferees the authority to be actuarially responsible so as to keep that trust fund solvent. If we are to have the responsibility, I ask that that decision be left to us, and I ask the Members to vote against this motion to instruct.

Mrs. FENWICK. Mr. Speaker, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from New Jersey.

Mrs. FENWICK. Mr. Speaker, I thank the chairman for yielding.

I was staggered to hear that removing all limitations on the ceiling would cost \$3.2 billion. I did not know that.

I want to ask the chairman, Does that take into account the income taxes that the people who will be receiving the benefits would be paying, since they would be employed, and also the social security taxes which they would be paying?

Mr. ULLMAN. This does not take into consideration those factors; but I want to say that the actuarial assumption in that estimate, in my judgment, is too conservative. Furthermore, I am sure that that \$3 billion annually will go up and up and up as the years go on.

Therefore, Mr. Speaker, I urge the gentleman from New Jersey (Mrs. Fenwick) to oppose the motion to instruct.

Mrs. FENWICK. If there is no exact figure with respect to the social security taxes and income taxes that those people who will be working will be paying, how

do we know it is even going to cost \$3.2 billion?

Mr. ULLMAN. The problem is that there will be no more income; if that person did not stay on that job, someone else who does not have a job would have that job. Consequently, somebody would be paying taxes if that other person did not stay on the job and continue to work. It is still a job on which someone would be paying taxes, and there really is no cost gain in that event.

Mrs. FENWICK. Mr. Speaker, I thank the gentleman.

Mr. ULLMAN. Mr. Speaker, I reserve the balance of my time.

The SPEAKER. The Chair will state that the gentleman's time has expired.

Mr. ARCHER. Mr. Speaker, may I inquire how much time I have remaining?

The SPEAKER. The gentleman from Texas has 7¼ minutes remaining.

Mr. ARCHER. Mr. Speaker, I would use whatever time I consume for one moment to merely make a rejoinder to the chairman of our committee, the gentleman from Oregon (Mr. ULLMAN) by saying that as mentioned earlier the estimates of the actuaries are faulty because they, as the gentlewoman from New Jersey (Mrs. FENWICK) just said, do not include one penny of income tax and social security taxes that will be paid in by those over 65 years of age who continue to work. The actuaries admit this and the Social Security Administration admits that they have not included one penny of additional income. So the deficit estimates, on their face, are faulty.

Mr. Speaker, for the purposes of debate I have no further requests for time, but at this time I would like to yield to the gentleman from Pennsylvania (Mr. COUGHLIN) for the amendment which he has previously described.

Mr. LEVITAS. Mr. Speaker, I favor lifting the unfair earnings limitation that presently penalizes retired persons who need to work and supplement their meager retirement and social security benefits. I voted for the Ketchum amendment which would remove the limitation, and I have even introduced a bill of my own which would lift the unfair limit on earned income.

However, I do not think we should vote to instruct our conferees on this issue at this time. Rather we should let the conference process to see if an acceptable provision can be written into the law that will lift the earnings limit for those who need to work to supplement their income but would not let the very wealthy continue to receive social security and also salaries ranging in the hundreds of thousands of dollars. So we should not bind the conferees now. A vote against Mr. Archer's motion is not a vote against the unfair penalty; rather it is a vote to let the conference come up with the best possible provision.

I will not vote for the final conference report unless it contains a fair provision for lifting the earnings limitation. But the time to cast that vote will come later. This is not the vote to accomplish that end.

Mr. GRASSLEY. Mr. Speaker, I support the Ketchum amendment to elimi-

nate the earnings limitation on retirees because it is the only rational thing to do.

We can talk about raising it from \$3,000 today to \$4,500 or \$6,000 at some future day or any other figure you might want to pick out of the air. But, the fact remains that no limitation is justified or rational and as a matter of principle the limitation must be abolished.

Any limitation is discriminatory against our elderly. There is no justification for this discriminatory practice. It is discrimination based on age, and it is just as wrong as discrimination based on race, creed, religion, or sex. We are concerned about those blatant forms of discrimination in employment so why should we not be equally up-in-arms about this form of age discrimination.

Ultimately if freedom means anything in this great country, it implies no economic sanctions should be applied to anyone's desire to work. The earnings limitation is such a sanction.

Besides, most of those who want to work after 65, need to work because of inadequate income from social security.

The SPEAKER. The gentleman from Texas (Mr. ARCHER), as I understand it, wishes to yield time?

Mr. ARCHER. I will yield back my time, but before I yield back the balance of my time, I would like to yield to the gentleman from Pennsylvania for an amendment. That was the purpose of my rising.

Mr. WAGGONER. Mr. Speaker, I move the previous question on the motion to instruct the conferees.

The SPEAKER. The gentleman from Louisiana (Mr. WAGGONER) moves the previous question. The question is on ordering the previous question.

The question was taken; and the Speaker announced that the ayes appeared to have it.

Mr. COUGHLIN. Mr. Speaker, I object to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 214, nays 181, not voting 39, as follows:

[Roll No. 756]

YEAS—214

Addabbo
Akaka
Allen
Ammerman
Anderson, Calif.
Andrews, N.C.
Annunzio
Ashley
Aspin
AuCoin
Badillo
Baldus
Barnard
Baucus
Bedell
Bellenson
Bennett
Blaggy
Bingham
Blanchard
Blouin
Boggs
Bonker
Brademas
Breaux
Breckinridge

Brodhead
Brooks
Brown, Calif.
Broyhill
Burke, Calif.
Burke, Mass.
Burlison, Tex.
Burlison, Mo.
Burton, Phillip
Butler
Byron
Carr
Cay
Collins, Ill.
Corman
Cornell
Cornwell
Cotter
D'Amours
Danielson
Delaney
Derrick
Derwinski
Dicks
Diggs
Dingell
Dodd

Downey
Drinan
Early
Eckhardt
Edwards, Calif.
Evans, Colo.
Fary
Fascell
Fisher
Filippo
Flood
Florio
Flowers
Flynt
Foley
Ford, Mich.
Ford, Tenn.
Fountain
Fowler
Fraser
Fuqua
Gaydos
Gephardt
Gialmo
Ginn
Glickman
Gore

Gudger
Hamilton
Hanley
Hannaford
Harkin
Harrington
Hawkins
Hefner
Hefl
Hightower
Holtzman
Howard
Hubbard
Hughes
Ireland
Jacobs
Jenkins
Jenrette
Johnson, Calif.
Jones, N.C.
Jones, Okla.
Jordan
Kastenmeier
Ketchum
Keys
Kildee
Koch
Krebs
LaFalce
Le Fante
Leggett
Lehman
Lloyd, Calif.
Lundine
McCormack
McFall
McHugh
McKay
McKinney
Maguire
Mahon
Mann
Markey
Marriott
Mattox

Mazzoli
Meeds
Metcalfe
Meyner
Mikulski
Mikva
Miller, Calif.
Mineta
Mitchell, Md.
Moakley
Moffett
Mollohan
Moorhead, Pa.
Murphy, Ill.
Murphy, N.Y.
Murtha
Myers, Gary
Natcher
Neal
Nedzi
Nix
Nolan
Oaker
Oberstar
Obey
Panetta
Patterson
Pattison
Pease
Pepper
Perkins
Pickle
Poage
Pryor
Price
Rahall
Rallsback
Rangel
Reuss
Richmond
Roberts
Rodino
Roncalio
Rose
Rosenthal

NAYS—181

Ambro
Anderson, Ill.
Andrews, N. Dak.
Applegate
Archer
Ashbrook
Badham
Bafalis
Bauman
Beard, R.I.
Beard, Tenn.
Benjamin
Bevill
Boland
Bonior
Bowen
Brinkley
Broomfield
Brown, Mich.
Brown, Ohio
Buchanan
Burgener
Burke, Fla.
Caputo
Carney
Carter
Cavanaugh
Cederberg
Chappell
Clausen,
Don H.
Clawson, Del.
Cleveland
Cochran
Cohen
Coleman
Collins, Tex.
Conable
Conte
Corcoran
Coughlin
Crane
Daniel, Dan
Daniel, R. W.
Davis
de la Garza
Devine
Dickinson
Dornan
Duncan, Tenn.
Edgar
Edwards, Ala.
Edwards, Okla.
Elberg
Emery
English

Erlenborn
Ertel
Evans, Del.
Evans, Ga.
Evans, Ind.
Fenwick
Findley
Flash
Forsythe
Frenzel
Gammage
Gibbons
Gilman
Goldwater
Gonzalez
Goodling
Gradison
Grassley
Guyer
Hagedorn
Hall
Hansen
Harris
Harsha
Heckler
Hillis
Holland
Hollenbeck
Holt
Horton
Huckaby
Hyde
Ichord
Jeffords
Johnson, Colo.
Kazen
Kemp
Kindness
Kostmayer
Lagomarsino
Latta
Leach
Lederer
Lent
Levitas
Livingston
Lloyd, Tenn.
Long, La.
Long, Md.
Lott
Lujan
Luken
McCloskey
McDade
McEwen
Madigan
Marks

Rostenkowski
Roybal
Runnels
Russo
Ryan
Santini
Scheuer
Seiberling
Sharp
Shipley
Sikes
Simon
Slak
Skelton
Slack
Smith, Iowa
Solaz
Spellman
Staggers
Stark
Steed
Steiger
Stockman
Stokes
Studds
Stump
Thompson
Traxler
Udall
Ullman
Vanik
Vento
Waggoner
Weaver
Weiss
Whitley
Wilson, Tex.
Wright
Yates
Yatron
Young, Fla.
Young, Mo.
Zablocki
Zeferetti

Marlenee
Martin
Mathis
Michel
Milford
Miller, Ohio
Minish
Mitchell, N.Y.
Montgomery
Moore
Moorhead, Calif.
Mottl
Murphy, Pa.
Myers, Michael
Nichols
Nowak
O'Brien
Ottinger
Patten
Pettis
Pressler
Pritchard
Pursell
Quie
Quillen
Regule
Rhodes
Rinaldo
Rosenhoover
Robinson
Roe
Rogers
Rooney
Rousslot
Rudd
Satterfield
Sawyer
Schroeder
Schulze
Sebelius
Shuster
Skubitz
Snyder
Spence
St Germain
Stangeland
Stanton
Steers
Stratton
Symms
Taylor
Treen
Tribie
Vander Jagt
Volkmier
Walgren

Walker	Whitten	Wyder
Walsh	Wilson, Bob	Wylie
Wampler	Winn	Young, Tex.
Watkins	Wirth	
Whitehurst	Wolf	

NOT VOTING—39

Abdnor	Jones, Tenn.	Thornton
Alexander	Kasten	Tsongas
Armstrong	Kelly	Tucker
Bolling	Krueger	Van Deerlin
Burton, John	McClory	Waxman
Chisholm	McDonald	Whalen
Conyers	Moss	White
Cunningham	Myers, John	Wiggins
Dellums	Pike	Wilson, C. H.
Dent	Quayle	Young, Alaska
Duncan, Oreg.	Ruppe	
Fithian	Sarasin	
Frey	Smith, Nebr.	
Hammer-	Teague	
schmidt	Thone	

The Clerk announced the following pairs:

On this vote:

Mr. Jones of Tennessee for, with Mr. McDonald against.
 Ms. Chisholm for, with Mr. White against.
 Mr. Sarasin for, with Mr. Abdnor against.
 Mr. Dellums for, with Mr. Cunningham against.
 Mr. Charles H. Wilson of California for, with Mr. McClory against.
 Mr. Waxman for, with Mrs. Smith of Nebraska against.
 Mr. Tucker for, with Mr. Young of Alaska against.

Until further notice:

Mr. Dent with Mr. Armstrong.
 Mr. Alexander with Mr. Frey.
 Mr. John Burton with Mr. Hammerschmidt.
 Mr. Conyers with Mr. Kasten.
 Mr. Moss with Mr. Thone.
 Mr. Duncan of Oregon with Mr. Wiggins.
 Mr. Fithian with Mr. Whalen.
 Mr. Krueger with Mr. John T. Myers.
 Mr. Teague with Mr. Kelly.
 Mr. Thornton with Mr. Ruppe.
 Mr. Van Deerlin with Mr. Quayle.
 Mr. Tsongas with Mr. Pike.

Messrs. MADIGAN, PATTEN, HAGEDORN, Mrs. LLOYD of Tennessee, Messrs. GAMMAGE, HUCKABY, GONZALEZ, HALL, STRATTON, BOWEN, WATKINS, and WHITTEN changed their vote from "yea" to "nay."

Mr. DINGELL and Mr. GIAIMO changed their vote from "nay" to "yea."

So the previous question was ordered.

The result of the vote was announced as above recorded.

The SPEAKER. The question is on the preferential motion offered by the gentleman from Texas (Mr. ARCHER).

The question was taken; and the Speaker announced that the noes appeared to have it.

Mr. ARCHER. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 183, nays 209, not voting 42, as follows:

[Roll No. 757]

YEAS—183

Allen	Bevill	Caputo
Anderson,	Blaggi	Carter
Calif.	Boggs	Cederberg
Anderson, Ill.	Bowen	Chappell
Andrews,	Brinkley	Clausen
N. Dak.	Broomfield	Don H.
Applegate	Brown, Mich.	Clawson, Del
Archer	Brown, Ohio	Cleveland
Ashbrook	Broyhill	Cohen
Badham	Burgener	Coleman
Badillo	Burke, Fla.	Collins, Tex.
Bafalis	Burleson, Tex.	Conable
Bauman	Butler	Conte
Beard, Tenn.	Byron	Corcoran

Coughlin	Ichord
Crane	Ireland
Daniel, Dan	Jeffords
Daniel, R. W.	Johnson, Colo.
Davis	Kazen
de la Garza	Kemp
Derwinski	Ketchum
Devine	Kindness
Dickinson	Koch
Diggs	Lagomarsino
Dornan	Latta
Duncan, Tenn.	Leach
Edwards, Ala.	Lent
Edwards, Okla.	Livingston
Emery	Lloyd, Calif.
English	Lloyd, Tenn.
Evans, Del.	Long, Md.
Evans, Ind.	Lott
Fenwick	Lujan
Fish	McCluskey
Flynt	McEwen
Forsythe	McKinney
Fowler	Madigan
Frenzel	Marks
Fuqua	Marlenee
Gammage	Marriott
Gibbons	Martin
Gilman	Mathis
Goldwater	Michel
Gonzalez	Miller, Ohio
Goodling	Mitchell, N.Y.
Gore	Montgomery
Gradison	Moore
Grassley	Moorhead,
Guyer	Calif.
Hagedorn	Natcher
Hall	Nichols
Hannaford	O'Brien
Hansen	Ottinger
Harrington	Patterson
Harris	Pettis
Harsha	Pressler
Hightower	Pritchard
Hillis	Pursell
Hollenbeck	Quie
Holt	Quillen
Horton	Rallsback
Huckaby	Regula
Hyde	Rhodes

NAYS—209

Addabbo	Edgar	Lehman
Akaka	Edwards, Calif.	Levitae
Ambro	Ellberg	Long, La.
Ammerman	Erlenborn	Lukens
Andrews, N.C.	Ertel	Lundine
Annunzio	Evans, Colo.	McCormack
Ashley	Evans, Ga.	McDade
Aspin	Fary	McFall
AuCoin	Fascell	McHugh
Baldus	Findley	McKay
Barnard	Fisher	Maguire
Beard, R.I.	Flippo	Mahon
Bedell	Flood	Mann
Bellenson	Florio	Markey
Benjamin	Flowers	Mattox
Bennett	Foley	Mazzoli
Bingham	Ford, Mich.	Meeds
Blanchard	Ford, Tenn.	Metcalfe
Blouin	Fountain	Meyner
Boland	Fraser	Mikulski
Bonior	Gaydos	Mikva
Bonker	Gephardt	Millard
Brademas	Gialmo	Miller, Calif.
Breaux	Ginn	Mineta
Breckinridge	Glickman	Minish
Brodhead	Gudger	Mitchell, Md.
Brooks	Hamilton	Moakley
Brown, Calif.	Hanley	Moffett
Burke, Calif.	Harkin	Mollohan
Burke, Mass.	Hawkins	Moorhead, Pa.
Burlison, Mo.	Heckler	Mottl
Burton, Phillip	Hefner	Murphy, Ill.
Carr	Heftel	Murphy, N.Y.
Cavanaugh	Holland	Murphy, Pa.
Clay	Holtzman	Murtha
Cochran	Howard	Myers, Gary
Collins, Ill.	Hubbard	Myers, Michael
Corman	Hughes	Neal
Cornell	Jacobs	Nedzi
Cornwell	Jenkins	Nix
Cotter	Jenrette	Nolan
D'Amours	Johnson, Calif.	Nowak
Danielson	Jones, N.C.	Oaker
Delaney	Jones, Okla.	Oberstar
Derrick	Jordan	Obey
Dicks	Kastenmeyer	Panetta
Dingell	Keys	Patten
Dodd	Kildee	Pattison
Downey	Kostmayer	Pease
Early	Krebs	Pepper
Eckhardt	LaFalce	Perkins
	Le Fante	Pickle
	Lederer	Preyer

Price	Slak	Ullman
Rahall	Skelton	Vanik
Rangel	Skubitz	Vento
Reuss	Slack	Volkmer
Richmond	Smith, Iowa	Waggoner
Rodino	Solarz	Weaver
Rogers	Spellman	Weles
Rose	Staggers	Whitley
Rosenthal	Stark	Wirth
Rostenkowski	Steed	Wright
Roybal	Stelger	Yates
Runnels	Stokes	Yatron
Ryan	Stratton	Young, Mo.
Selberling	Studds	Young, Tex.
Sharp	Thompson	Zablocki
Shipey	Traxler	Zerfetti
Simon	Udall	

NOT VOTING—42

Abdnor	Hammer-	Sarasin
Alexander	schmidt	Smith, Nebr.
Armstrong	Jones, Tenn.	Teague
Baucus	Kasten	Thone
Bolling	Kelly	Thornton
Burton, John	Krueger	Tsongas
Carney	Leggett	Tucker
Chisholm	McClory	Van Deerlin
Conyers	McDonald	Waxman
Cunningham	Moss	Whalen
Dellums	Myers, John	White
Dent	Pike	Wilson, C. H.
Duncan, Oreg.	Poage	Young, Alaska
Fithian	Quayle	
Frey	Ruppe	

The Clerk announced the following pairs:

On this vote:

Mr. McDonald for, with Mr. Jones of Tennessee against.
 Mr. White for, with Ms. Chisholm against.
 Mr. Abdnor for, with Mr. Dellums against.
 Mr. Cunningham for, with Mr. Waxman against.
 Mr. Kelly for, with Mr. Tucker against.
 Mr. McClory for, with Mr. Charles H. Wilson of California against.
 Mr. Sarasin for, with Mr. Conyers against.
 Mr. Young of Alaska for, with Mr. Moss against.

Until further notice:

Mr. Dent with Mr. Ruppe.
 Mr. Alexander with Mrs. Smith of Nebraska.
 Mr. Carney with Mr. Hammerschmidt.
 Mr. John Burton with Mr. Frey.
 Mr. Teague with Mr. John T. Myers.
 Mr. Van Deerlin with Mr. Quayle.
 Mr. Thornton with Mr. Armstrong.
 Mr. Tsongas with Mr. Baucus.
 Mr. Fithian with Mr. Duncan of Oregon.
 Mr. Krueger with Mr. Kasten.
 Mr. Leggett with Mr. Pike.
 Mr. Thone with Mr. Whalen.

Mr. PATTERSON of California changed his vote from "nay" to "yea."

So the preferential motion was rejected.

The result of the vote was announced as above recorded.

GENERAL LEAVE

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to revise and extend their remarks on the preferential motion to instruct the conferees which was just considered.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

There was no objection.

The SPEAKER pro tempore. Without objection, the Chair appoints the following conferees: MESSRS. ULLMAN, BURKE of Massachusetts, ROSTENKOWSKI, WAGGONER, COTTER, MIKVA, TUCKER, CONABLE, ARCHER, and KETCHUM.

There was no objection.

95TH CONGRESS }
1st Session

SENATE

{ REPORT
No. 95-612

SOCIAL SECURITY AMENDMENTS OF 1977

DECEMBER 14, 1977.—Ordered to be printed

Mr. LONG, from the committee of conference,
submitted the following

CONFERENCE REPORT

[To accompany H.R. 9346]

The committee of conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses as follows:

That the House recede from its disagreement to the amendment of the Senate and agree to the same with an amendment as follows:

In lieu of the matter proposed to be inserted by the Senate amendment insert the following:

That this Act, with the following table of contents, may be cited as the "Social Security Amendments of 1977".

TABLE OF CONTENTS

TITLE I—PROVISIONS RELATING TO THE FINANCING OF THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

Sec. 101. *Adjustments in tax rates.*

Sec. 102. *Allocations to disability insurance trust fund.*

Sec. 103. *Increases in earnings base.*

Sec. 104. *Effective date.*

TITLE II—STABILIZATION OF REPLACEMENT RATES IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

- Sec. 201. Computation of primary insurance amount.*
- Sec. 202. Maximum benefits.*
- Sec. 203. Increase in old-age benefit amounts for delayed retirement.*
- Sec. 204. Widow's and widower's insurance benefits in cases of delayed retirement.*
- Sec. 205. Conforming amendments.*
- Sec. 206. Effective date.*

TITLE III—OTHER CHANGES IN PROVISIONS RELATING TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—CHANGES IN EARNINGS TEST

- Sec. 301. Liberalization of earnings test for individuals age 65 and over.*
- Sec. 302. Repeal of earnings limitation for individuals age 70 and over.*
- Sec. 303. Elimination of monthly earnings test.*

PART B—COVERAGE

- Sec. 311. Study of universal coverage.*
- Sec. 312. Coverage of nonprofit organizations which failed to file waiver certificates.*
- Sec. 313. Exclusion from coverage of certain limited partnership income.*
- Sec. 314. Employees of members of related groups of corporations.*
- Sec. 315. Tax on employers of individuals who receive income from tips.*
- Sec. 316. Revocation of exemption from coverage by clergymen.*
- Sec. 317. International agreements with respect to social security benefits.*
- Sec. 318. Modification of agreement with Illinois to provide coverage for certain policemen and firemen.*
- Sec. 319. Coverage for policemen and firemen in Mississippi.*
- Sec. 320. Coverage under divided retirement system for public employees in New Jersey.*
- Sec. 321. Coverage of service under Wisconsin retirement system.*

PART C—BENEFIT AMOUNTS AND ELIGIBILITY

- Sec. 331. Actuarial reduction of benefit increases to be applied as of time of original entitlement.*
- Sec. 332. Limitation on retroactive benefits.*
- Sec. 333. Delivery of benefit checks.*
- Sec. 334. Reduced benefits for spouses receiving Government pensions.*
- Sec. 335. Substantial gainful activity in case of blind individuals.*
- Sec. 336. Remarriage of widows and widowers.*
- Sec. 337. Duration-of-marriage requirement.*

PART D—STUDY WITH RESPECT TO GENDER-BASED DISTINCTIONS

- Sec. 341. Study of proposals to eliminate dependency and sex discrimination under the social security program.*

PART E—COMBINED SOCIAL SECURITY AND INCOME TAX ANNUAL REPORTING

Subpart 1—Amendments to Title II of the Social Security Act

- Sec. 351. Annual crediting of quarters of coverage.*
- Sec. 352. Adjustment in amount required for a quarter of coverage.*
- Sec. 353. Technical and conforming amendments.*

Subpart 2—Amendments to the Internal Revenue Code of 1954

- Sec. 355. Deduction of tax from wages.*
- Sec. 356. Technical and conforming amendments.*

Subpart 3—Conforming Amendment to the Railroad Retirement Act of 1974

- Sec. 358. Computation of employee annuities.*

PART F—NATIONAL COMMISSION ON SOCIAL SECURITY

Sec. 361. Establishment of Commission.

PART G—MISCELLANEOUS PROVISIONS

Sec. 371. Appointment of hearing examiners.

Sec. 372. Report of Advisory Council on Social Security.

TITLE IV—PROVISIONS RELATING TO CERTAIN STATE WELFARE AND SERVICE PROGRAMS RECEIVING FEDERAL FINANCIAL ASSISTANCE

Sec. 401. Fiscal relief for States and political subdivisions with respect to costs of welfare programs.

Sec. 402. Incentive adjustments for a quality control in Federal financial participation in aid to families with dependent children programs.

Sec. 403. Access to wage information.

Sec. 404. State demonstration projects.

Sec. 405. Reimbursement for erroneous State supplementary payments.

TITLE V—MISCELLANEOUS

Sec. 501. Coverage under medicare of certain power-operated wheelchairs.

Sec. 502. Federal Election Campaign Act amendments.

TITLE I—PROVISIONS RELATING TO THE FINANCING OF THE OLD-AGE SURVIVORS, AND DISABILITY INSURANCE PROGRAM

ADJUSTMENTS IN TAX RATES

SEC. 101. (a) (1) Section 3101(a) of the Internal Revenue Code of 1954 (relating to rate of tax on employees for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

“(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

“(2) with respect to wages received during the calendar year 1978, the rate shall be 5.05 percent;

“(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 5.08 percent;

“(4) with respect to wages received during the calendar year 1981, the rate shall be 5.35 percent;

“(5) with respect to wages received during the calendar years 1982 through 1984, the rate shall be 5.40 percent;

“(6) with respect to wages received during the calendar years 1985 through 1989, the rate shall be 5.70 percent; and

“(7) with respect to wages received after December 31, 1989, the rate shall be 6.20 percent.”.

(2) Section 3111(a) of such Code (relating to rate of tax on employers for purposes of old-age, survivors, and disability insurance) is amended by striking out paragraphs (1) and (2) and inserting in lieu thereof the following:

“(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 4.95 percent;

“(2) with respect to wages paid during the calendar year 1978, the rate shall be 5.05 percent;

“(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 5.08 percent;

"(4) with respect to wages paid during the calendar year 1981, the rate shall be 5.35 percent;

"(5) with respect to wages paid during the calendar years 1982 through 1984, the rate shall be 5.40 percent;

"(6) with respect to wages paid during the calendar years 1985 through 1989, the rate shall be 5.70 percent; and

"(7) with respect to wages paid after December 31, 1989, the rate shall be 6.20 percent."

(3) Section 1401(a) of such Code (relating to rate of tax on self-employment income for purposes of old-age, survivors, and disability insurance) is amended by striking out "a tax" and all that follows and inserting in lieu thereof the following: "a tax as follows:

"(1) in the case of any taxable year beginning before January 1, 1978, the tax shall be equal to 7.0 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 7.10 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 7.05 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1982, the tax shall be equal to 8.00 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1981, and before January 1, 1985, the tax shall be equal to 8.05 percent of the amount of the self-employment income for such taxable year;

"(6) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1990, the tax shall be equal to 8.55 percent of the amount of the self-employment income for such taxable year; and

"(7) in the case of any taxable year beginning after December 31, 1989, the tax shall be equal to 9.30 percent of the amount of the self-employment income for such taxable year."

(b)(1) Section 3101(b) of such Code (relating to rate of tax on employees for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:

"(1) with respect to wages received during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

"(2) with respect to wages received during the calendar year 1978, the rate shall be 1.00 percent;

"(3) with respect to wages received during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

"(4) with respect to wages received during the calendar years 1981 through 1984, the rate shall be 1.30 percent;

"(5) with respect to wages received during the calendar year 1985, the rate shall be 1.35 percent; and

"(6) with respect to wages received after December 31, 1985, the rate shall be 1.45 percent."

(2) Section 3111(b) of such Code (relating to rate of tax on employers for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:

"(1) with respect to wages paid during the calendar years 1974 through 1977, the rate shall be 0.90 percent;

"(2) with respect to wages paid during the calendar year 1978, the rate shall be 1.00 percent;

"(3) with respect to wages paid during the calendar years 1979 and 1980, the rate shall be 1.05 percent;

"(4) with respect to wages paid during the calendar years 1981 through 1984, the rate shall be 1.30 percent;

"(5) with respect to wages paid during the calendar year 1985, the rate shall be 1.35 percent; and

"(6) with respect to wages paid after December 31, 1985, the rate shall be 1.45 percent."

(3) Section 1401(b) of such Code (relating to tax on self-employment income for purposes of hospital insurance) is amended by striking out paragraphs (1) through (4) and inserting in lieu thereof the following:

"(1) in the case of any taxable year beginning after December 31, 1973, and before January 1, 1978, the tax shall be equal to 0.90 percent of the amount of the self-employment income for such taxable year;

"(2) in the case of any taxable year beginning after December 31, 1977, and before January 1, 1979, the tax shall be equal to 1.00 percent of the amount of the self-employment income for such taxable year;

"(3) in the case of any taxable year beginning after December 31, 1978, and before January 1, 1981, the tax shall be equal to 1.05 percent of the amount of the self-employment income for such taxable year;

"(4) in the case of any taxable year beginning after December 31, 1980, and before January 1, 1985, the tax shall be equal to 1.30 percent of the amount of the self-employment income for such taxable year;

"(5) in the case of any taxable year beginning after December 31, 1984, and before January 1, 1986, the tax shall be equal to 1.35 percent of the amount of the self-employment income for such taxable year; and

"(6) in the case of any taxable year beginning after December 31, 1985, the tax shall be equal to 1.45 percent of the amount of the self-employment income for such taxable year."

ALLOCATIONS TO DISABILITY INSURANCE TRUST FUND

SEC. 102. (a) (1) Section 201(b) (1) of the Social Security Act is amended by striking out clauses (G) through (J) and inserting in lieu thereof the following: "(G) 1.55 per centum of the wages (as so defined) paid after December 31, 1977, and before January 1, 1979, and so reported, (H) 1.50 per centum of the wages (as so defined) paid after December 31, 1978, and before January 1, 1981, and so reported, (I) 1.65 per centum of the wages (as so defined) paid after Decem-

ber 31, 1980, and before January 1, 1985, and so reported, (J) 1.90 per centum of the wages (as so defined) paid after December 31, 1984, and before January 1, 1990, and so reported, and (K) 2.20 per centum of the wages (as so defined) paid after December 31, 1989, and so reported.”

(2) Section 201(b)(2) of such Act is amended by striking out clauses (G) through (J) and inserting in lieu thereof the following: “(G) 1.090 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1977, and before January 1, 1979, (H) 1.0400 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1978, and before January 1, 1981, (I) 1.2375 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1980, and before January 1, 1985, (J) 1.4250 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1984, and before January 1, 1990, and (K) 1.650 per centum of the amount of self-employment income (as so defined) so reported for any taxable year beginning after December 31, 1989.”

INCREASES IN EARNINGS BASE

SEC. 103. (a)(1) Section 230(a) of the Social Security Act is amended by inserting “or (c)” after “determined under subsection (b)”.

(2) Section 230(b) of such Act is amended by striking out “shall be” in the matter preceding paragraph (1) and inserting in lieu thereof “shall (subject to subsection (c)) be”.

(b) Section 230(c) of such Act is amended—

(1) by inserting “(1)” immediately before “the ‘contribution and benefit base’”, and

(2) by striking out “section.” and inserting in lieu thereof the following:

“section, and (2) the ‘contribution and benefit base’ with respect to remuneration paid (and taxable years beginning)—

“(A) in 1978 shall be \$17,700,

“(B) in 1979 shall be \$22,900,

“(C) in 1980 shall be \$25,900, and

“(D) in 1981 shall be \$29,700.

For purposes of determining under subsection (b) the ‘contribution and benefit base’ with respect to remuneration paid (and taxable years beginning) in 1982 and subsequent years, the dollar amounts specified in clause (2) of the preceding sentence shall be considered to have resulted from the application of such subsection (b) and to be the amount determined (with respect to the years involved) under that subsection. For purposes of determining employer tax liability under section 3221(a) of the Internal Revenue Code of 1954, for purposes of determining the portion of the employee representative tax liability under section 3211(a) of such Code which results from the application of the 9.5 percent rate specified therein, and for purposes of computing average monthly compensation under section 3(j) of the Railroad Retirement Act of 1974, except with respect to annuity amounts

determined under section 3(a) or 3(f)(3) of such Act, clause (2) and the preceding sentence of this subsection shall be disregarded.”.

(c) (1) Section 230 of such Act is further amended by adding at the end thereof the following new subsection:

“(d) Notwithstanding any other provision of law, the contribution and benefit base determined under this section for any calendar year after 1976 for purposes of section 4022(b)(3)(B) of Public Law 93-406, with respect to any plan, shall be the contribution and benefit base that would have been determined for such year if this section as in effect immediately prior to the enactment of the Social Security Amendments of 1977 had remained in effect without change.”.

(2) The amendment made by paragraph (1) shall apply with respect to plan terminations occurring after the date of the enactment of this Act.

(d) (1) The second sentence of section 215(i)(2)(D)(v) of such Act is amended by striking out “is equal to one-twelfth of the new contribution and benefit base” and inserting in lieu thereof “is equal to, or exceeds by less than \$5, one-twelfth of the new contribution and benefit base”.

(2) The third sentence of section 215(i)(2)(D)(v) of such Act is amended by striking out all that follows “clause (iv)” and inserting in lieu thereof “plus 20 percent of the excess of the second figure in the last line of column III as extended under the preceding sentence over such second figure for the calendar year in which the table of benefits is revised.”.

EFFECTIVE DATE

SEC. 104. The amendments made by this title shall apply with respect to remuneration paid or received, and taxable years beginning, after 1977.

TITLE II—STABILIZATION OF REPLACEMENT RATES IN THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

COMPUTATION OF PRIMARY INSURANCE AMOUNT

SEC. 201. (a) Section 215(a) of the Social Security Act is amended to read as follows:

“(a) (1) (A) The primary insurance amount of an individual shall (except as otherwise provided in this section) be equal to the sum of—

“(i) 90 percent of the individual’s average indexed monthly earnings (determined under subsection (b)) to the extent that such earnings do not exceed the amount established for purposes of this clause by subparagraph (B),

“(ii) 32 percent of the individual’s average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (i) but do not exceed the amount established for purposes of this clause by subparagraph (B), and

“(iii) 15 percent of the individual’s average indexed monthly earnings to the extent that such earnings exceed the amount established for purposes of clause (ii),

rounded in accordance with subsection (g), and thereafter increased as provided in subsection (i).

"(B) (i) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in the calendar year 1979, the amount established for purposes of clause (i) and (ii) of subparagraph (A) shall be \$180 and \$1,085, respectively.

"(ii) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in any calendar year after 1979, each of the amounts so established shall equal the product of the corresponding amount established with respect to the calendar year 1979 under clause (i) of this subparagraph and the quotient obtained by dividing—

"(I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the second calendar year preceding the calendar year for which the determination is made, by

"(II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year 1977.

"(iii) Each amount established under clause (ii) for any calendar year shall be rounded to the nearest \$1, except that any amounts so established which is a multiple of \$0.50 but not of \$1 shall be rounded to the next higher \$1.

"(C) (i) No primary insurance amount computed under subparagraph (A) may be less than—

"(I) the dollar amount set forth on the first line of column IV in the table of benefits contained in (or deemed to be contained in) this subsection as in effect in December 1978, rounded (if not a multiple of \$1) to the next higher multiple of \$1, or

"(II) an amount equal to \$11.50 multiplied by the individual's years of coverage in excess of 10, or the increased amount determined for purposes of this subdivision under subsection (i), whichever is greater. No increase under subsection (i), except as provided in subsection (i) (2) (A), shall apply to the dollar amount specified in subdivision (I) of this clause.

"(ii) For purposes of clause (i) (II), the term 'years of coverage' with respect to any individual means the number (not exceeding 30) equal to the sum of (I) the number (not exceeding 14 and disregarding any fraction) determined by dividing (a) the total of the wages credited to such individual (including wages deemed to be paid prior to 1951 to such individual under section 217, compensation under the Railroad Retirement Act of 1937 prior to 1951 which is creditable to such individual pursuant to this title, and wages deemed to be paid prior to 1951 to such individual under section 231) for years after 1936 and before 1951 by (b) \$900, plus (II) the number equal to the number of years after 1950 each of which is a computation base year (within the meaning of subsection (b) (2) (B) (ii)) and in each of which he is credited with wages (including wages deemed to be paid to such individual under section 217, compensation under the Railroad Retirement Act of 1937 or 1974 which is creditable to such individual pursuant to this title, and wages deemed to be paid to such individual

under section 229) and self-employment income of not less than 25 percent of the maximum amount which, pursuant to subsection (e), may be counted for such year, or of not less than 25 percent of the maximum amount which could be so counted for such year (in the case of a year after 1977) if section 230 as in effect immediately prior to the enactment of the Social Security Amendments of 1977 had remained in effect without change.

"(D) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula for computing benefits under this paragraph and for adjusting wages and self-employment income under subsection (b) (3) in the case of an individual who becomes eligible for an old-age insurance benefit, or (if earlier) becomes eligible for a disability insurance benefit or dies, in the following year, and the average of the total wages (as described in subparagraph (B) (ii) (I)) on which that formula is based. With the initial publication required by this subparagraph, the Secretary shall also publish in the Federal Register the average of the total wages (as so described) for each calendar year after 1950.

"(2) (A) A year shall not be counted as the year of an individual's death or eligibility for purposes of this subsection or subsection (i) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit or benefits to which he was entitled during such 12 months).

"(B) In the case of an individual who was entitled to a disability insurance benefit for any of the 12 months before the month in which he became entitled to an old-age insurance benefit, became reentitled to a disability insurance benefit, or died, the primary insurance amount for determining any benefit attributable to that entitlement, reentitlement, or death is the greater of—

"(i) the primary insurance amount upon which such disability insurance benefit was based, increased by the amount of each general benefit increase (as defined in subsection (i) (3)), and each increase provided under subsection (i) (2), that would have applied to such primary insurance amount had the individual remained entitled to such disability insurance benefit until the month in which he became so entitled or reentitled or died, or

"(ii) the amount computed under paragraph (1) (C).

"(C) In the case of an individual who was entitled to a disability insurance benefit for any month, and with respect to whom a primary insurance amount is required to be computed at any time after the close of the period of the individual's disability (whether because of such individual's subsequent entitlement to old-age insurance benefits or to a disability insurance benefit based upon a subsequent period of disability, or because of such individual's death), the primary insurance amount so computed may in no case be less than the primary insurance amount with respect to which such former disability insurance benefit was most recently determined.

"(3) (A) Paragraph (1) applies only to an individual who was not eligible for an old-age insurance benefit prior to January 1979 and who in that or any succeeding month—

"(i) becomes eligible for such a benefit,

“(ii) becomes eligible for a disability insurance benefit, or
 “(iii) dies,
 and (except for subparagraph (C) (i) (II) thereof) it applies to every such individual except to the extent otherwise provided by paragraph (4).

“(B) For purposes of this title, an individual is deemed to be eligible—

“(i) for old-age insurance benefits, for months beginning with the month in which he attains age 62, or

“(ii) for disability insurance benefits, for months beginning with the month in which his period of disability began as provided under section 216(i) (2) (C),
 except as provided in paragraph (2) (A) in cases where fewer than 12 months have elapsed since the termination of a prior period of disability.

“(4) Paragraph (1) (except for subparagraph (C) (i) (II) thereof) does not apply to the computation or recomputation of a primary insurance amount for—

“(A) an individual who was eligible for a disability insurance benefit for a month prior to January 1979 unless, prior to the month in which occurs the event described in clause (i), (ii), or (iii) of paragraph (3) (A), there occurs a period of at least 12 consecutive months for which he was not entitled to a disability insurance benefit, or

“(B) an individual who had wages or self-employment income credited for one or more years prior to 1979, and who was not eligible for an old-age or disability insurance benefit, and did not die, prior to January 1979, if in the year for which the computation or recommendation would be made the individual's primary insurance amount would be greater if computed or recomputed—

“(i) under section 215(a) as in effect in December 1978, for purposes of old-age insurance benefits in the case of an individual who becomes eligible for such benefits prior to 1984,
 or

“(ii) as provided by section 215(d), in the case of an individual to whom such section applies.

In determining whether an individual's primary insurance amount would be greater if computed or recomputed as provided in subparagraph (B), (I) the table of benefits in effect in December 1978 shall be applied without regard to any increases in that table which may become effective (in accordance with subsection (i) (4)) for years after 1978 (subject to clause (iii) of subsection (i) (2) (A) but without regard to clauses (iv) and (v) thereof) and (II) such individual's average monthly wage shall be computed as provided by subsection (b) (4).

“(5) For purposes of computing the primary insurance amount (after December 1978) of an individual to whom paragraph (1) does not apply (other than an individual described in paragraph (4) (B)), this section as in effect in December 1978 shall remain in effect, except that, effective for January 1979, the dollar amount specified in paragraph (3) of subsection (a) shall be increased to \$11.50. The table for determining primary insurance amounts and maximum family

benefits contained in this section in December 1978 shall be revised as provided by subsection (i) for each year after 1978.”.

(b) Section 215(b) of such Act is amended to read as follows:

“Average Indexed Monthly Earnings; Average Monthly Wage

“(b) (1) An individual’s average indexed monthly earnings shall be equal to the quotient obtained by dividing—

“(A) the total (after adjustment under paragraph (3)) of his wages paid in and self-employment income credited to his benefit computation years (determined under paragraph (2)), by

“(B) the number of months in those years.

“(2) (A) The number of an individual’s benefit computation years equals the number of elapsed years, reduced by five, except that the number of an individual’s benefit computation years may not be less than two.

“(B) For purposes of this subsection with respect to any individual—

“(i) the term ‘benefit computation years’ means those computation base years, equal in number to the number determined under subparagraph (A), for which the total of such individual’s wages and self-employment income, after adjustment under paragraph (3), is the largest;

“(ii) the term ‘computation base years’ means the calendar years after 1950 and before—

“(I) in the case of an individual entitled to old-age insurance benefits, the year in which occurred (whether by reason of section 202(j)(1) or otherwise) the first month of that entitlement; or

“(II) in the case of an individual who has died (without having become entitled to old-age insurance benefits), the year succeeding the year of his death;

except that such term excludes any calendar year entirely included in a period of disability; and

“(iii) the term ‘number of elapsed years’ means (except as otherwise provided by section 104(j)(2) of the Social Security Amendments of 1972) the number of calendar years after 1950 (or, if later, the year in which the individual attained age 21) and before the year in which the individual died, or, if it occurred earlier (but after 1960), the year in which he attained age 62; except that such term excludes any calendar year any part of which is included in a period of disability.

“(3) (A) Except as provided by subparagraph (B), the wages paid in and self-employment income credited to each of an individual’s computation base years for purposes of the selection therefrom of benefit computation years under paragraph (2) shall be deemed to be equal to the product of—

“(i) the wages and self-employment income paid in or credited to such year (as determined without regard to this subparagraph), and

“(ii) the quotient obtained by dividing—

“(I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the

limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the second calendar year (after 1976) preceding the earliest of the year of the individual's death, eligibility for an old-age insurance benefit, or eligibility for a disability insurance benefit (except that the year in which the individual dies, or becomes eligible, shall not be considered as such year if the individual was entitled to disability insurance benefits for any month in the 12-month period immediately preceding such death or eligibility, but there shall be counted instead the year of the individual's eligibility for the disability insurance benefit to which he was entitled in such 12-month period), by

"(II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the computation base year for which the determination is made.

"(B) Wages paid in or self-employment income credited to an individual's computation base year which—

"(i) occurs after the second calendar year specified in subparagraph (A) (ii) (I), or

"(ii) is a year treated under subsection (f) (2) (C) as though it were the last year of the period specified in paragraph (2) (B) (ii),

shall be available for use in determining an individual's benefit computation years, but without applying subparagraph (A) of this paragraph.

"(4) For purposes of determining the average monthly wage of an individual whose primary insurance amount is computed (after 1978) under section 215(a) or 215(d) as in effect (except with respect to the table contained therein) in December 1978, by reason of subsection (a) (4) (B), this subsection as in effect in December 1978 shall remain in effect, except that paragraph (2) (C) (as then in effect) shall be deemed to provide that 'computation base years' include only calendar years in the period after 1950 (or 1936, if applicable) and prior to the year in which occurred the first month for which the individual was eligible (as defined in subsection (a) (3) (B) as in effect in January 1979) for an old-age or disability insurance benefit, or, if earlier, the year in which he died. Any calendar year all of which is included in a period of disability shall not be included as a computation base year for such purposes."

(c) Section 215(c) of such Act is amended to read as follows:

"Application of Prior Provisions in Certain Cases

"(c) This subsection as in effect in December 1978 shall remain in effect with respect to an individual to whom subsection (a) (1) does not apply by reason of the individual's eligibility for an old-age or disability insurance benefit, or the individual's death, prior to 1979."

(d) (1) The matter in the text of section 215(d) of such Act which precedes paragraph (1) (C) is amended to read as follows:

"(d) (1) For purposes of column I of the table appearing in subsection (a), as that subsection was in effect in December 1977, an individual's primary insurance benefit shall be computed as follows:

"(A) The individual's average monthly wage shall be determined as provided in subsection (b), as in effect in December 1977 (but without regard to paragraph (4) thereof), except that for purposes of paragraphs (2) (C) and (3) of that subsection (as so in effect) 1936 shall be used instead of 1950.

"(B) For purposes of subparagraphs (B) and (C) of subsection (b) (2) (as so in effect)—

"(i) the total wages prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1936 and prior to 1950 shall be divided by the number of years (hereinafter in this subparagraph referred to as the 'divisor') elapsing after the year in which the individual attained age 20 and prior to 1951; and

"(ii) the total wages prior to 1951 (as defined in subparagraph (C) of this paragraph) of an individual who attained age 21 after 1949 shall be divided by the number of years (hereinafter in this subparagraph referred to as the 'divisor') elapsing after 1949 and prior to 1951.

The quotient so obtained shall be deemed to be the individual's wages credited to each of the years which were used in computing the amount of the divisor, except that—

"(iii) if the quotient exceeds \$3,000, only \$3,000 shall be deemed to be the individual's wages for each of the years which were used in computing the amount of the divisor, and the remainder of the individual's total wages prior to 1951 (I) if less than \$3,000, shall be deemed credited to the year immediately preceding the earliest year used in computing the amount of the divisor, or (II) if \$3,000 or more, shall be deemed credited, in \$3,000 increments, to the year immediately preceding the earliest year used in computing the amount of the divisor and to each year consecutively preceding that year, with any remainder less than \$3,000 being credited to the year immediately preceding the earliest year to which a full \$3,000 increment was credited; and

"(iv) no more than \$42,000 may be taken into account, for purposes of this subparagraph, as total wages after 1936 and prior to 1951."

(2) Section 215(d)(1)(D) of such Act is amended to read as follows:

"(D) The individual's primary insurance benefit shall be 40 percent of the first \$50 of his average monthly wage as computed under this subsection, plus 10 percent of the next \$200 of his average monthly wage, increased by 1 percent for each increment year. The number of increment years is the number, not more than 14 nor less than 4, that is equal to the individual's total wages prior to 1951 divided by \$1,650 (disregarding any fraction)."

(3) Section 215(d)(3) of such Act is amended (A) by striking out "in the case of an individual" and all that follows and inserting in lieu thereof the following "in the case of an individual who had a period of disability which began prior to 1951, but only if the primary insurance amount resulting therefrom is higher than the primary insurance amount resulting from the application of this section (as amended by the Social Security Amendments of 1967) and section 220."

(4) Section 215(d) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) The provisions of this subsection as in effect in December 1977 shall be applicable to individuals who become eligible for old-age or disability insurance benefits or die prior to 1978."

(e) Section 215(e) of such Act is amended—

(1) by striking out "average monthly wage" each place it appears and inserting in lieu thereof "average indexed monthly earnings or, in the case of an individual whose primary insurance amount is computed under section 215(a) as in effect prior to January 1979, average monthly wage," and

(2) by inserting immediately before "of (A)" in paragraph (1) the following: "(before the application, in the case of average indexed monthly earnings, of subsection (b)(3)(A))".

(f)(1) Section 215(f)(2) of this Act is amended to read as follows:

"(2)(A) If an individual has wages or self-employment income for a year after 1978 for any part of which he is entitled to old-age or disability insurance benefits, the Secretary shall, at such time or times and within such period as he may by regulation prescribe, recompute the individual's primary insurance amount for that year.

"(B) For the purpose of applying subparagraph (A) of subsection (a)(1) to the average indexed monthly earnings of an individual to whom that subsection applies and who receives a recomputation under this paragraph, there shall be used, in lieu of the amounts established by subsection (a)(1)(B) for purposes of clauses (i) and (ii) of subsection (a)(1)(A), the amounts so established that were (or, in the case of an individual described in subsection (a)(4)(B), would have been) used in the computation of such individual's primary insurance amount prior to the application of this subsection.

"(C) A recomputation of any individual's primary insurance amount under this paragraph shall be made as provided in subsection (a)(1) as though the year with respect to which it is made is the last year of the period specified in subsection (b)(2)(B)(ii); and subsection (b)(3)(A) shall apply with respect to any such recomputation as it applied in the computation of such individual's primary insurance amount prior to the application of this subsection.

"(D) A recomputation under this paragraph with respect to any year shall be effective—

"(i) in the case of an individual who did not die in that year, for monthly benefits beginning with benefits for January of the following year; or

"(ii) in the case of an individual who died in that year, for monthly benefits beginning with benefits for the month in which he died."

(2) Section 215(f)(3) of such Act is repealed.

(3) Section 215(f)(4) of such Act is amended to read as follows:

"(4) A recomputation shall be effective under this subsection only if it increases the primary insurance amount by at least \$1."

(4) Section 215(f) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(7) This subsection as in effect in December 1978 shall continue to apply to the recomputation of a primary insurance amount computed

under subsection (a) or (d) as in effect (without regard to the table in subsection (a)) in that month, and, where appropriate, under subsection (d) as in effect in December 1977. For purposes of recomputing a primary insurance amount determined under subsection (a) or (d) (as so in effect) in the case of an individual to whom those subsections apply by reason of subsection (a) (4) (B) as in effect after December 1978, no remuneration shall be taken into account for the year in which the individual initially became eligible for an old-age or disability insurance benefit or died, or for any year thereafter.

"(8) The Secretary shall recompute the primary insurance amounts applicable to beneficiaries whose benefits are based on a primary insurance amount which was computed under subsection (a) (3) effective prior to January 1979, or would have been so computed if the dollar amount specified therein were \$11.50. Such recomputation shall be effective January 1979, and shall include the effect of the increase in the dollar amount provided by subsection (a) (1) (C) (i) (II). Such primary insurance amount shall be deemed to be provided under such section for purposes of subsection (i)."

(g) (1) Section 215(i) (2) (A) (ii) of such Act is amended to read as follows:

"(ii) If the Secretary determines that the base quarter in any year is a cost-of-living computation quarter, he shall, effective with the month of June of that year as provided in subparagraph (B), increase—

"(I) the benefit amount to which individuals are entitled for that month under section 227 or 228,

"(II) the primary insurance amount of each other individual on which benefit entitlement is based under this title (including a primary insurance amount determined under subsection (a) (1) (C) (i) (I), but subject to the provisions of such subsection (a) (1) (C) (i) and clauses (iv) and (v) of this subparagraph), and

"(III) the amount of total monthly benefits based on any primary insurance amount which is permitted under section 203 (and such total shall be increased, unless otherwise so increased under another provision of this title, at the same time as such primary insurance amount) or, in the case of a primary insurance amount computed under subsection (a) as in effect (without regard to the table contained therein) prior to January 1979, the amount to which the beneficiaries may be entitled under section 203 as in effect in December 1978, except as provided by section 203(a) (6) and (7) as in effect after December 1978.

The increase shall be derived by multiplying each of the amounts described in subdivisions (I), (II), and (III) (including each of those amounts as previously increased under this subparagraph) by the same percentage (rounded to the nearest one-tenth of 1 percent) as the percentage by which the Consumer Price Index for that cost-of-living computation quarter exceeds such index for the most recent prior calendar quarter which was a base quarter under paragraph (1) (A) (ii) or, if later, the most recent cost-of-living computation quarter under paragraph (1) (B); and any amount so increased that is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10. Any increase under this subsection in a primary insurance amount determined under subparagraph (C) (i) (II) of subsection (a) (1)

shall be applied after the initial determination of such primary insurance amount under that subparagraph (with the amount of such increase, in the case of an individual who becomes eligible for old-age or disability insurance benefits or dies in a calendar year after 1979, being determined from the range of possible primary insurance amounts published by the Secretary under the last sentence of subparagraph (D)).”.

(2) Section 215(i)(2)(A) of such Act is amended by adding at the end thereof the following new clauses:

“(iii) In the case of an individual who becomes eligible for an old-age or disability insurance benefit, or who dies prior to becoming so eligible, in a year in which there occurs an increase provided under clause (ii), the individual’s primary insurance amount (without regard to the time of entitlement to that benefit) shall be increased (unless otherwise so increased under another provision of this title and, with respect to a primary insurance amount determined under subsection (a)(1)(C)(i)(I), subject to the provisions of subsection (a)(1)(C)(i) and clauses (iv) and (v) of this subparagraph) by the amount of that increase and subsequent applicable increases, but only with respect to benefits payable for months after May of that year.

“(iv) (I) In the case of an individual who is entitled to an old-age insurance benefit that is based on a primary insurance amount determined under subsection (a)(1)(C)(i)(I), such primary insurance amount shall not be increased under this subsection for any year before the year in which occurs the first month with respect to which there is payable to such individual all or some part of such benefit after application of the provisions of section 203 relating to deductions on account of work, or, if earlier, the year in which he attains age 65.

“(II) In the case of an individual who is entitled to an insurance benefit under subsection (e) or (f) of section 202 that is based on a primary insurance amount determined under subsection (a)(1)(C)(i)(I), such primary insurance amount shall not be increased under this subsection for any year (except as provided in subdivision (III)) before the year in which occurs the first month with respect to which there is payable to such individual all or some part of such benefit after application of the provisions of section 203 relating to deductions on account of work, or, if earlier, the year in which he attains age 65.

“(III) Any increase under this subsection which would otherwise be applied to a primary insurance amount except for the provisions of subdivision (II) of this clause, shall apply to such primary insurance amount if, during any month of the year in which the increase occurs, any individual is entitled to a benefit under subsection (d), (g), or (h) of section 202 based on such primary insurance amount, and such primary insurance amount is based upon the wages and self-employment income of a deceased individual.

“(IV) No primary insurance amount determined under subsection (a)(1)(C)(i)(I) shall be increased under this subsection for any year during which no individual was entitled to any benefit based thereon under section 202 or 223 for any month of such year.

“(V) In any case in which an increase under this subsection which occurs during any year applies to a primary insurance amount determined under subsection (a)(1)(C)(i)(I), and such an increase occur-

ring in a later year does not apply to such primary insurance amount on account of the provisions of this clause, any such increase which occurs in a later year which is applicable to such primary insurance amount shall be based upon such primary insurance amount as previously increased under this subsection.

"(v) Notwithstanding clause (iv), no primary insurance amount shall be less than that provided under section 215(a)(1) without regard to subparagraph (C)(i)(I) thereof, as subsequently increased by applicable increases under this section."

(3) Section 215(i)(2)(D) of such Act (as amended by section 103(d) of this Act) is further amended by striking out all that follows the first sentence and inserting in lieu thereof the following: "He shall also publish in the Federal Register at that time (i) a revision of the range of the primary insurance amounts which are possible after the application of this subsection based on the dollar amount specified in subparagraph (C)(i)(II) of subsection (a)(1) (with such revised primary insurance amounts constituting the increased amounts determined for purposes of such subparagraph (C)(i)(II) under this subsection), or specified in subsection (a)(3) as in effect prior to 1979, and (ii) a revision of the range of maximum family benefits which correspond to such primary insurance amounts (with such maximum benefits being effective notwithstanding section 203(a) except for paragraph (3)(B) thereof (or paragraph (2) thereof as in effect prior to 1979))."

(4) Section 215(i) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) This subsection as in effect in December 1978 shall continue to apply to subsections (a) and (d), as then in effect, for purposes of computing the primary insurance amount of an individual to whom subsection (a), as in effect after December 1978, does not apply (including an individual to whom subsection (a) does not apply in any year by reason of paragraph (4)(B) of that subsection (but the application of this subsection in such cases shall be modified by the application of subdivision (I) in the last sentence of paragraph (4) of that subsection)). For purposes of computing primary insurance amounts and maximum family benefits (other than primary insurance amounts and maximum family benefits for individuals to who such paragraph (4)(B) applies), the Secretary shall publish in the Federal Register revisions of the table of benefits contained in subsection (a), as in effect in December 1978, as required by paragraph (2)(D) of this subsection as then in effect."

MAXIMUM BENEFITS

SEC. 202 The text of section 203(a) of the Social Security Act is amended to read as follows:

"(a)(1) In the case of an individual whose primary insurance amount has been computed or recomputed under section 215(a)(1) or (4), or section 215(d), as in effect after December 1978, the total monthly benefits to which beneficiaries may be entitled under section 202 or 223 for a month on the basis of the wages and self-employment income of such individual shall, except as provided by paragraph (3) (but prior to any increases resulting from the application of para-

graph (2)(A)(ii)(III) of section 215(i)), be reduced as necessary so as not to exceed—

“(A) 150 percent of such individual’s primary insurance amount to the extent that it does not exceed the amount established with respect to this subparagraph by paragraph (2),

“(B) 272 percent of such individual’s primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (A) but does not exceed the amount established with respect to this subparagraph by paragraph (2),

“(C) 134 percent of such individual’s primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (B) but does not exceed the amount established with respect to this subparagraph by paragraph (2), and

“(D) 175 percent of such individual’s primary insurance amount to the extent that it exceeds the amount established with respect to subparagraph (C).

Any such amount that is not a multiple of \$0.10 shall be increased to the next higher multiple of \$0.10.

“(2)(A) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming so eligible for such benefits), in the calendar year 1979, the amounts established with respect to subparagraphs (A), (B), and (C) of paragraph (1) shall be \$230, \$332, and \$433, respectively.

“(B) For individuals who initially become eligible for old-age or disability insurance benefits, or who die (before becoming so eligible for such benefits), in any calendar year after 1979, each of the amounts so established shall equal the product of the corresponding amount established for the calendar year 1979 by subparagraph (A) of this paragraph and the quotient obtained under subparagraph (B)(ii) of section 215(a)(1), with such product being rounded in the manner prescribed by section 215(a)(1)(B)(iii).

“(C) In each calendar year after 1978 the Secretary shall publish in the Federal Register, on or before November 1, the formula which (except as provided in section 215(i)(2)(D)) is to be applicable under this paragraph to individuals who become eligible for old-age or disability insurance benefits, or who die (before becoming eligible for such benefits), in the following calendar year.

“(D) A year shall not be counted as the year of an individual’s death or eligibility for purposes of this paragraph or paragraph (7) in any case where such individual was entitled to a disability insurance benefit for any of the 12 months immediately preceding the month of such death or eligibility (but there shall be counted instead the year of the individual’s eligibility for the disability insurance benefits to which he was entitled during such 12 months).

“(3)(A) When an individual who is entitled to benefits on the basis of the wages and self-employment income of any insured individual and to whom this subsection applies would (but for the provisions of section 202(k)(2)(A)) be entitled to child’s insurance benefits for a month on the basis of the wages and self-employment income of one or more other insured individuals, the total monthly benefits to which all beneficiaries are entitled on the basis of such wages and self-employment income shall not be reduced under this subsection to less than the smaller of—

“(i) the sum of the maximum amounts of benefits payable on the basis of the wages and self-employment income of all such insured individuals, or

“(ii) an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a) (1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefit base determined for that year under section 230.

“(B) When two or more persons were entitled (without the application of section 202(j) (1) and section 223(b)) to monthly benefits under section 202 or 223 for January 1971 or any prior month on the basis of the wages and self-employment income of such insured individual and the provisions of this subsection as in effect for any such month were applicable in determining the benefit amount of any persons on the basis of such wages and self-employment income, the total of benefits for any month after January 1971 shall not be reduced to less than the largest of—

“(i) the amount determined under this subsection without regard to this subparagraph,

“(ii) the largest amount which has been determined for any month under this subsection for persons entitled to monthly benefits on the basis of such insured individual's wages and self-employment income, or

“(iii) if any persons are entitled to benefits on the basis of such wages and self-employment income for the month before the effective month (after September 1972) of a general benefit increase under this title (as defined in section 215(i) (3)) or a benefit increase under the provisions of section 215(i), an amount equal to the sum of amounts derived by multiplying the benefit amount determined under this title (excluding any part thereof determined under section 202(w)) for the month before such effective month (including this subsection, but without the application of section 222(b), section 202(q), and subsections (b), (c), and (d) of this section), for each such person for such month, by a percentage equal to the percentage of the increase provided under such benefit increase (with any such increased amount which is not a multiple of \$0.10 being rounded to the next higher multiple of \$0.10);

but in any such case (I) subparagraph (A) of this paragraph shall not be applied to such total of benefits after the application of clause (ii) or (iii), and (II) if section 202(k) (2) (A) was applicable in the case of any such benefits for a month, and ceases to apply for a month after such month, the provisions of clause (ii) or (iii) shall be applied, for and after the month in which section 202(k) (2) (A) ceases to apply, as though subparagraph (A) of this paragraph had not been applicable to such total of benefits for the last month for which clause (ii) or (iii) was applicable.

“(C) When any of such individual's is entitled to monthly benefits as a divorced spouse under section 202 (b) or (c) or as a surviving divorced spouse under section 202 (e) or (f) for any month, the benefit to which he or she is entitled on the basis of the wages and self-employment income of such insured individual for such month shall be determined without regard to this subsection, and the benefits of all other individuals who are entitled for such month to monthly benefits

under section 202 on the wages and self-employment income of such insured individual shall be determined as if no such divorced spouse or surviving divorced spouse were entitled to benefits for such month.

"(4) In any case in which benefits are reduced pursuant to the preceding provisions of this subsection, the reduction shall be made after any deductions under this section and after any deductions under section 222(b). Whenever a reduction is made under this subsection in the total of monthly benefits to which individuals are entitled for any month on the basis of the wages and self-employment income of an insured individual, each such benefit other than the old-age or disability insurance benefit shall be proportionately decreased.

"(5) Notwithstanding any other provision of law, when—

"(A) two or more persons are entitled to monthly benefits for a particular month on the basis of the wages and self-employment income of an insured individual and (for such particular month) the provisions of this subsection are applicable to such monthly benefits, and

"(B) such individual's primary insurance amount is increased for the following month under any provision of this title, then the total of monthly benefits for all persons on the basis of such wages and self-employment income for such particular month, as determined under the provisions of this subsection, shall for purposes of determining the total monthly benefits for all persons on the basis of such wages and self-employment income for months subsequent to such particular month be considered to have been increased by the smallest amount that would have been required in order to assure that the total of monthly benefits payable on the basis of such wages and self-employment income for any such subsequent month will not be less (after the application of the other provisions of this subsection and section 202(q)) than the total of monthly benefits (after the application of the other provisions of this subsection and section 202(q)) payable on the basis of such wages and self-employment income for such particular month.

"(6) In the case of any individual who is entitled for any month to benefits based upon the primary insurance amounts of two or more insured individuals, one or more of which primary insurance amounts were determined under section 215(a) or 215(d) as in effect (without regard to the table contained therein) prior to January 1979 and one or more of which primary insurance amounts were determined under section 215(a) (1) or (4), or section 215(d), as in effect after December 1978, the total benefits payable to that individual and all other individuals entitled to benefits for that month based upon those primary insurance amounts shall be reduced to an amount equal to the product of 1.75 and the primary insurance amount that would be computed under section 215(a) (1) for that month with respect to average indexed monthly earnings equal to one-twelfth of the contribution and benefits base determined under section 230 for the year in which that month occurs.

"(7) Subject to paragraph (6), this subsection as in effect in December 1978 shall remain in effect with respect to a primary insurance amount computed under section 215(a) or (d), as in effect (without regard to the table contained therein) in December 1978, except that a primary insurance amount so computed with respect to an individual who first becomes eligible for an old-age or disability insurance benefit,

or dies (before becoming eligible for such a benefit), after December 1978, shall instead be governed by this section as in effect after December 1978.”.

INCREASE IN OLD-AGE BENEFIT AMOUNTS FOR DELAYED RETIREMENT

Sec. 203. Section 202(w) (1) of Social Security Act is amended—

- (1) by striking out “If the first month” and all that follows down through “to such individual” in the matter preceding subparagraph (A) and inserting in lieu thereof “The amount of an old-age insurance benefit (other than a benefit based on a primary insurance amount determined under section 215(a) (3)) which is payable without regard to this subsection to an individual”; and
- (2) by inserting after “such amount,” in subparagraph (A) the following: “or, in the case of an individual who first becomes eligible for an old-age insurance benefit after December 1978, one-quarter of 1 percent of such amount,”.

WIDOW'S AND WIDOWER'S INSURANCE BENEFITS IN CASES OF DELAYED RETIREMENT

Sec. 204. (a) Section 202(e) (2) (A) of the Social Security Act is amended (1) by inserting “(as determined after application of the following sentence)” after “primary insurance amount”, and (2) by adding at the end thereof the following new sentence: “If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual's primary insurance amount, if less than the old-age insurance benefit (increased, where applicable, under section 215(f) (5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which he was receiving (or would upon application have received) for the month prior to the month in which he died, shall be deemed to be equal to such old-age insurance benefit, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which he died, prior to the month in which he died, which satisfy the conditions in paragraph (2) of such subsection (w).”.

(b) Section 202(e) (2) (B) (i) of such Act is amended by inserting “and section 215(f) (5) or (6) were applied, where applicable,” after “living”.

(c) Section 202(f) (3) (A) of such Act is amended (1) by inserting “(as determined after application of the following sentence)” after “primary insurance amount”, and (2) by adding at the end thereof the following new sentence: “If such deceased individual was (or upon application would have been) entitled to an old-age insurance benefit which was increased (or subject to being increased) on account of delayed retirement under the provisions of subsection (w), then, for purposes of this subsection, such individual's primary insurance amount, if less than the old-age insurance benefit (increased, where applicable, under section 215(f) (5) or (6) and under section 215(i) as if such individual were still alive in the case of an individual who has died) which she was receiving (or would upon application have received)

for the month prior to the month in which she died, shall be deemed to be equal to such old-age insurance benefit, and (notwithstanding the provisions of paragraph (3) of such subsection (w)) the number of increment months shall include any month in the months of the calendar year in which she died, prior to the month in which she died, which satisfy the conditions in paragraph (2) of such subsection (w).".

(d) Section 202 (f) (3) (B) (i) of such Act is amended by inserting "and section 215 (f) (5) or (6) were applied, where applicable," after "living".

(e) Section 203 (a) of such Act (as amended by section 202 of this Act) is further amended by adding at the end thereof the following new paragraph:

"(8) When—

"(A) one or more persons were entitled (without the application of section 202 (j) (1)) to monthly benefits under section 202 for May 1978 on the basis of the wages and self-employment income of an individual,

"(B) the benefit of at least one such person for June 1978 is increased by reason of the amendments made by section 204 of the Social Security Amendments of 1977; and

"(C) the total amount of benefits to which all such persons are entitled under such section 202 are reduced under the provisions of this subsection (or would be so reduced except for the first sentence of section 203 (a) (4)),

then the amount of the benefit to which each such person is entitled for months after May 1978 shall be increased (after such reductions are made under this subsection) to the amount such benefits would have been if the benefit of the person or persons referred to in subparagraph (B) had not been so increased."

CONFORMING AMENDMENTS

SEC. 205. (a) Section 202 (m) (1) of the Social Security Act is amended to read as follows:

"(1) In any case in which an individual is entitled to a monthly benefit under this section on the basis of a primary insurance amount computed under section 215 (a) or (d), as in effect after December 1978, on the basis of the wages and self-employment income of a deceased individual for any month and no other person is (without the application of subsection (j) (1)) entitled to a monthly benefit under this section for that month on the basis of such wages and self-employment income, the individual's benefit amount for that month, prior to reduction under subsection (k) (3), shall not be less than that provided by subparagraph (C) (i) (I) of section 215 (a) (1) and increased under section 215 (i) for months after May of the year in which the insured individual died as though such benefit were a primary insurance amount."

(b) Section 202 (w) of such Act (as amended by section 203 of this Act) is further amended—

(1) by inserting after "section 215 (a) (3)" in paragraph (1) (in the matter preceding subparagraph (A)) the following: "as in effect in December 1978 or section 215 (a) (1) (C) (i) (II) as in effect thereafter";

(2) by inserting "as in effect in December 1978, or section 215 (a) (1) (C) (i) (II) as in effect thereafter," after "paragraph (3) of section 215(a)" in paragraph (5); and

(3) by inserting "(whether before, in, or after December 1978)" after "determined under section 215(a)" in paragraph (5).

(c) Section 217(b)(1) of such Act is amended by inserting "as in effect in December 1978" after "section 215(c)" each place it appears, and after "section 215(d)".

(d) Section 224(a) of such Act is amended by inserting "(determined under section 215(b) as in effect prior to January 1979)" after "(A) the average monthly wage" in the sentence immediately following paragraph (8).

(e) Section 1839(c)(3)(B) of such Act is amended to read as follows:

"(B) the monthly premium rate most recently promulgated by the Secretary under this paragraph, increased by a percentage determined as follows: The Secretary shall ascertain the primary insurance amount computed under section 215(a)(1), based upon average indexed monthly earnings of \$900, that applied to individuals who became eligible for and entitled to old-age insurance benefits on May 1 of the year of the promulgation. He shall increase the monthly premium rate by the same percentage by which that primary insurance amount is increased when, by reason of the law in effect at the time the promulgation is made, it is so computed to apply to those individuals on the following May 1."

EFFECTIVE DATE

SEC. 206. The amendments made by the provisions of this title other than sections 201(d), 204, and 205(a) shall be effective with respect to monthly benefits under title II of the Social Security Act payable for months after December 1978 and with respect to lump-sum death payments with respect to deaths occurring after such month. The amendments made by section 201(d) shall be effective with respect to monthly benefits of an individual who becomes eligible for an old-age or disability insurance benefit, or dies, after December 1977. The amendments made by section 204 shall be effective with respect to monthly benefits for months after May 1978. The amendment made by section 205(a) shall be effective with respect to monthly benefits payable for months after December 1978 based on the wages and self-employment income of individuals who die after December 1978.

TITLE III—OTHER CHANGES IN PROVISIONS RELATING TO THE OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE PROGRAM

PART A—CHANGES IN EARNINGS TEST

LIBERALIZATION OF EARNINGS TEST FOR INDIVIDUALS AGE 65 AND OVER

SEC. 301. (a) Section 203(f)(8)(A) of the Social Security Act is amended by striking out "a new exempt amount which shall be effective (unless such new exempt amount is prevented from becoming effective

by subparagraph (C) of this paragraph) with respect to any individual's taxable year which ends after the calendar year" and inserting in lieu thereof "the new exempt amounts (separately stated for individuals described in subparagraph (D) and for other individuals) which are to be applicable (unless prevented from becoming effective by subparagraph (C)) with respect to taxable years ending in (or with the close of) the calendar year after the calendar year".

(b) (1) Section 203(f)(8)(B) of such Act is amended by striking out "The exempt amount for each month of a particular taxable year shall be" in the matter preceding clause (i) and inserting in lieu thereof "Except as otherwise provided in subparagraph (D), the exempt amount which is applicable to individuals described in such subparagraph and the exempt amount which is applicable to other individuals, for each month of a particular taxable year, shall each be".

(2) Section 203(f)(8)(B)(i) of such Act is amended by striking out "the exempt amount" and inserting in lieu thereof "the corresponding exempt amount".

(3) The last sentence of section 203(f)(8)(B) of such Act is amended by striking out "the exempt amount" and inserting in lieu thereof "an exempt amount".

(c) (1) Section 203(f)(8) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) Notwithstanding any other provision of this subsection, the exempt amount which is applicable to an individual who has attained age 65 before the close of the taxable year involved—

"(i) shall be \$333.33½ for each month of any taxable year ending after 1977 and before 1979,

"(ii) shall be \$375 for each month of any taxable year ending after 1978 and before 1980,

"(iii) shall be \$416.66⅔ for each month of any taxable year ending after 1979 and before 1981,

"(iv) shall be \$458.33½ for each month of any taxable year ending after 1980 and before 1982, and

"(v) shall be \$500 for each month of any taxable year ending after 1981 and before 1983."

(2) No notification with respect to an increased exempt amount for individuals described in section 203(f)(8)(D) of the Social Security Act (as added by paragraph (1) of this subsection) shall be required under the last sentence of section 203(f)(8)(B) of such Act in 1977, 1978, 1979, 1980, or 1981; and section 203(f)(8)(C) of such Act shall not prevent the new exempt amount determined and published under section 203(f)(8)(A) in 1977 from becoming effective to the extent that such new exempt amount applies to individuals other than those described in section 203(f)(8)(D) of such Act (as so added).

(d) Subsections (f)(1), (f)(3), (f)(4)(B), and (h)(1)(A) of section 203 of such Act are each amended by striking out "\$200 or the exempt amount" and inserting in lieu thereof "the applicable exempt amount".

(e) The amendments made by this section shall apply with respect to taxable years ending after December 1977.

REPEAL OF EARNINGS LIMITATION FOR INDIVIDUALS AGE 70 AND OVER

SEC. 302. (a) Subsections (c)(1), (d)(1), (f)(1)(B), and (j) of section 203 of the Social Security Act are each amended by striking out "seventy-two" and inserting in lieu thereof "seventy".

(b) Subsection (f)(3) of section 203 of such Act is amended by striking out "age 72" and inserting in lieu thereof "age 70".

(c) Subsection (h)(1)(A) of section 203 of such Act is amended by striking out "the age of 72" and "age 72" and inserting in lieu thereof in each instance "age 70".

(d) The heading of subsection (j) of section 203 of such Act is amended by striking out "Seventy-two" and inserting in lieu thereof "Seventy".

(e) The amendments made by this section shall apply only with respect to taxable years ending after December 31, 1981.

ELIMINATION OF MONTHLY EARNINGS TEST

SEC. 303. (a) Clause (E) of the last sentence of section 203(f)(1) of the Social Security Act (as amended by section 301(d) of this Act) is further amended by inserting before the period at the end thereof the following: "if such month is in the taxable year in which occurs the first month that is both (i) a month for which the individual is entitled to benefits under subsection (a), (b), (c), (d), (e), (f), (g), or (h) of section 202 (without having been entitled for the preceding month to a benefit under any other of such subsections), and (ii) a month in which the individual did not engage in self-employment and did not render services for wages (determined as provided in paragraph (5)) of more than the applicable exempt amount as determined under paragraph (8)".

(b) The amendment made by subsection (a) shall apply only with respect to monthly benefits payable for months after December 1977.

PART B—COVERAGE

STUDY OF UNIVERSAL COVERAGE

SEC. 311. (a) The Secretary of Health, Education, and Welfare is directed to undertake, as soon as possible after the date of the enactment of this Act, a thorough study with respect to the extent of the coverage under the old-age, survivors, and disability insurance programs and under the programs established by title XVIII of the Social Security Act. The study shall examine the feasibility and desirability of covering, under such social security programs, Federal employees, State and local governmental employees, and employees of non-profit organizations who are not now covered. The study shall include alternative methods of accomplishing such coverage together with any appropriate alternatives to extending coverage to such employees.

(b) With respect to each major alternative method or proposal included in the study described in subsection (a), such study shall also include an analysis of the changes which would be required in the programs established by the Social Security Act and in any other systems

or programs (such as retirement, survivorship, disability, and health programs) affecting the individuals who would be covered under such social security programs under such alternative method or proposal. Such analysis shall include the structural changes required in such programs, the financial impact of such changes, and the effect of such changes on the benefit rights and contribution liabilities of the affected individuals.

(c) In conducting the study required by subsection (a), the Secretary of Health, Education, and Welfare shall consult, as appropriate, with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Chairman of Civil Service Commission, and those officials shall provide him with such information and assistance as he may require. The Secretary shall also solicit the views of other appropriate officials and organizations.

(d) The Secretary of Health, Education, and Welfare shall submit to the President and the Congress, not later than 2 years after the date of the enactment of this Act, a report of the findings of the study required by subsection (a) together with his recommendations for any appropriate legislative changes.

COVERAGE OF NONPROFIT ORGANIZATIONS WHICH FAILED TO FILE WAIVER CERTIFICATES

SEC. 312. (a) (1) Section 3121(k) (5) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where refund or credit has been made and new certificate is not filed) is amended—

(A) by striking out “prior to the expiration of 180 days after the date of the enactment of this paragraph,” in subparagraph

(B) and inserting in lieu thereof “prior to April 1, 1978,”; and

(B) by striking out “the 181st day after the date of the enactment of this paragraph,” and “such 181st day” in the matter following subparagraph (B) and inserting in lieu thereof in each instance “April 1, 1978,”.

(2) Section 3121(k) (7) of such Code (relating to payment of both employee and employer taxes for retroactive period by organization in cases of constructive filing) is amended—

(A) by striking out “prior to the expiration of 180 days after the date of the enactment of this paragraph” and inserting in lieu thereof “prior to April 1, 1978,”;

(B) by striking out “the 181st day after such date,” and inserting in lieu thereof “April 1, 1978,”; and

(C) by striking out “prior to the first day of the calendar quarter in which such 181st day occurs” and inserting in lieu thereof “prior to that date”.

(3) Section 3121(k) (8) of such Code (relating to extended period for payment of taxes for retroactive coverage) is amended—

(A) by striking out “by the end of the 180-day period following the date of the enactment of this paragraph” and inserting in lieu thereof “prior to April 1, 1978,”;

(B) by striking out “within that period” and inserting in lieu thereof “prior to April 1, 1978,”; and

(C) by striking out “on the 181st day following that date” and inserting in lieu thereof “on that date”.

(b) (1) Section 3121(k) (4) of such Code (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by adding at the end thereof the following new subparagraph:

“(C) In the case of any organization which is deemed under this paragraph to have filed a valid waiver certificate under paragraph (1), if—

“(i) the period with respect to which the taxes imposed by sections 3101 and 3111 were paid by such organization (as described in subparagraph (A) (ii)) terminated prior to October 1, 1976, or

“(ii) the taxes imposed by sections 3101 and 3111 were not paid during the period referred to in clause (i) (whether such period has terminated or not) with respect to remuneration paid by such organization to individuals who became its employees after the close of the calendar quarter in which such period began, taxes under sections 3101 and 3111—

“(iii) in the case of an organization which meets the requirements of this subparagraph by reason of clause (i), with respect to remuneration paid by such organization after the termination of the period referred to in clause (i) and prior to July 1, 1977; or

“(iv) in the case of an organization which meets the requirements of this subparagraph by reason of clause (ii), with respect to remuneration paid prior to July 1, 1977, to individuals who became its employees after the close of the calendar quarter in which the period referred to in clause (i) began,

which remain unpaid on the date of the enactment of this subparagraph, or which were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph, shall not be due or payable (or, if paid, shall be refunded); and the certificate which such organization is deemed under this paragraph to have filed shall not apply to any service with respect to the remuneration for which the taxes imposed by sections 3101 and 3111 (which remain unpaid on the date of the enactment of this subparagraph, or were paid after October 19, 1976, but prior to the date of the enactment of this subparagraph) are not due and payable (or are refunded) by reason of the preceding provisions of this subparagraph. In applying this subparagraph for purposes of title II of the Social Security Act, the period during which reports of wages subject to the taxes imposed by section 3101 and 3111 were made by any organization may be conclusively treated as the period (described in subparagraph (A) (ii)) during which the taxes imposed by such sections were paid by such organization.”

(2) Section 3121(k) (4) (A) of such Code is amended by inserting “(subject to subparagraph (C))” after “effective” in the matter following clause (ii).

(3) Section 3121(k) (6) of such Code (relating to application of certain provisions to cases of constructive filing) is amended by insert-

ing “(except as provided in paragraph (4) (C))” after “services involved” in the matter preceding subparagraph (A).

(4) Section 3121(k) (4) of such Code is amended by striking out “date” in subparagraph (B) (ii) and inserting in lieu thereof “first day of the calendar quarter”.

(c) In any case where—

(1) an individual performed service, as an employee of an organization which is deemed under section 3121(k) (4) of the Internal Revenue Code of 1954 to have filed a waiver certificate under section 3121(k) (1) of such Code, on or after the first day of the applicable period described in subparagraph (A) (ii) of such section 3121(k) (4) and before July 1, 1977; and

(2) the service so performed does not constitute employment (as defined in section 210(a) of the Social Security Act and section 3121(b) of such Code) because the waiver certificate which the organization is deemed to have filed is made inapplicable to such service by section 3121(k) (4) (C) of such Code, but would constitute employment (as so defined) in the absence of such section 3121(k) (4) (C),

the remuneration paid for such service shall, upon the request of such individual (filed on or before April 15, 1980, in such manner and form, and with such official, as may be prescribed by regulations made under title II of the Social Security Act) accompanied by full payment of all of the taxes which would have been paid under section 3101 of such Code with respect to such remuneration but for such section 3121(k) (4) (C) (or by satisfactory evidence that appropriate arrangements have been made for the payment of such taxes in installments as provided in section 3121(k) (8) of such Code), be deemed to constitute remuneration for employment as so defined. In any case where remuneration paid by an organization to an individual is deemed under the preceding sentence to constitute remuneration for employment, such organization shall be liable (notwithstanding any other provision of such Code) for payment of the taxes which it would have been required to pay under section 3111 of such Code with respect to such remuneration in the absence of such section 3121(k) (4) (C).

(d) Section 3121(k) (8) of the Internal Revenue Code of 1954 (relating to extended period for payment of taxes for retroactive coverage), as amended by subsection (a) (3) of this section, is amended to read as follows:

“(8) **EXTENDED PERIOD FOR PAYMENT OF TAXES FOR RETROACTIVE COVERAGE.**—Notwithstanding any other provision of this title, in any case where—

“(A) an organization is deemed under paragraph (4) to have filed a valid waiver certificate under paragraph (1), but the applicable period described in paragraph (4) (A) (ii) has terminated and part or all of the taxes imposed by sections 3101 and 3111 with respect to remuneration paid by such organization to its employees after the close of such period remains payable notwithstanding paragraph (4) (C), or

“(B) an organization described in paragraph (5) (A) files a valid waiver certificate under paragraph (1) by March 31,

1978, as described in paragraph (5) (B), or (not having filed such a certificate by that date) is deemed under paragraph (5) to have filed such a certificate on April 1, 1978, or

“(C) an individual files a request under section 3 of Public Law 94-563, or under section 312(c) of the Social Security Amendments of 1977, to have service treated as constituting remuneration for employment (as defined in section 3121(b) and in section 210(a) of the Social Security Act), the taxes due under sections 3101 and 3111 with respect to services constituting employment by reason of such certificate for any period prior to the first day of the calendar quarter in which the date of such filing or constructive filing occurs, or with respect to service constituting employment by reason of such request, may be paid in installments over an appropriate period of time, as determined under regulations prescribed by the Secretary, rather than in a lump sum.”.

(e) The first sentence of section 3 of Public Law 94-563 (in the matter following paragraph (3)) is amended—

(1) by inserting “on or before April 15, 1980,” after “filed”; and

(2) by inserting “(or by satisfactory evidence that appropriate arrangements have been made for the repayment of such taxes in installments as provided in section 3121(k)(8) of such Code)” after “so refunded or credited”.

(f) Section 3121(k)(4)(A)(i) of the Internal Revenue Code of 1954 (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended by striking out “or any subsequent date” and inserting in lieu thereof “(or, if later, as of the earliest date on which it satisfies clause (ii) of this subparagraph.)”.

(g) Section 3121(k)(4)(B) of such Code (relating to constructive filing of certificate where no refund or credit of taxes has been made) is amended—

(1) by striking out the period at the end of clause (ii) and inserting in lieu thereof “, or”; and

(2) by adding after clause (ii) the following new clause:

“(iii) the organization, prior to the end of the period referred to in clause (ii) of such subparagraph (and, in the case of an organization organized on or before October 9, 1969, prior to October 19, 1976), had applied for a ruling or determination letter acknowledging it to be exempt from income tax under section 501(c)(3), and it subsequently received such ruling or determination letter and did not pay any taxes under sections 3101 and 3111 with respect to any employee with respect to any quarter ending after the twelfth month following the date of mailing of such ruling or determination letter and did not pay any such taxes with respect to any quarter beginning after the later of (I) December 31, 1975 or (II) the date on which such ruling or determination letter was issued.”.

(h) The amendments made by subsections (a), (b), (d), (e), (f), and (g) of this section shall be effective as though they had been in-

cluded as a part of the amendments made to section 3121(k) of the Internal Revenue Code of 1954 by the first section of Public Law 94-563 (or, in the case of the amendments made by subsection (e), as a part of section 3 of such Public Law).

EXCLUSION FROM COVERAGE OF CERTAIN LIMITED PARTNERSHIP INCOME

SEC. 313. (a) Section 211(a) of the Social Security Act is amended—

(1) by striking out “and” at the end of paragraph (9);

(2) by striking out the period at the end of paragraph (10) and inserting in lieu thereof “; and”; and

(3) by inserting after paragraph (10) the following new paragraph:

“(11) There shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) of the Internal Revenue Code of 1954 to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services.”.

(b) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended—

(1) by striking out “and” at the end of paragraph (10);

(2) by striking out the period at the end of paragraph (11) and inserting in lieu thereof “; and”; and

(3) by inserting after paragraph (11) the following new paragraph:

“(12) there shall be excluded the distributive share of any item of income or loss of a limited partner, as such, other than guaranteed payments described in section 707(c) to that partner for services actually rendered to or on behalf of the partnership to the extent that those payments are established to be in the nature of remuneration for those services.”.

(c) The amendments made by this section shall apply with respect to taxable years beginning after December 31, 1977.

EMPLOYEES OF MEMBERS OF RELATED GROUPS OF CORPORATIONS

SEC. 314. (a) Section 3121 of the Internal Revenue Code of 1954 (definitions for purposes of the Federal Insurance Contributions Act) is amended by adding at the end thereof the following new subsection:

“(s) **CONCURRENT EMPLOYMENT BY TWO OR MORE EMPLOYERS.**—For purposes of sections 3102, 3111, and 3121(a)(1), if two or more related corporations concurrently employ the same individual and compensate such individual through a common paymaster which is one of such corporations, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations.”.

(b) Section 3306 of such Code (relating to definitions in respect of unemployment tax) is amended by adding at the end thereof the following new subsection:

"(p) *CONCURRENT EMPLOYMENT BY TWO OR MORE EMPLOYERS.*—For purposes of sections 3301, 3302, and 3306(b) (1), if two or more related corporations concurrently employ the same individual and compensate such individual through a common paymaster which is one of such corporations, each such corporation shall be considered to have paid as remuneration to such individual only the amounts actually disbursed by it to such individual and shall not be considered to have paid as remuneration to such individual amounts actually disbursed to such individual by another of such corporations."

(c) The amendments made by this section shall apply with respect to wages paid after December 31, 1978.

TAX ON EMPLOYERS OF INDIVIDUALS WHO RECEIVE INCOME FROM TIPS

SEC. 315. (a) Section 3121 of the Internal Revenue Code of 1954 (definitions for purposes of the Federal Insurance Contributions Act) is amended by adding at the end thereof (after the new subsection added by section 314(a) of this Act) the following new subsection:

"(t) *SPECIAL RULE FOR DETERMINING WAGES SUBJECT TO EMPLOYER TAX IN CASE OF CERTAIN EMPLOYERS WHOSE EMPLOYEES RECEIVE INCOME FROM TIPS.*—If the wages paid by an employer with respect to the employment during any month of an individual who (for services performed in connection with such employment) receives tips which constitute wages, and to which section 3102(a) applies, are less than the total amount which would be payable (with respect to such employment) at the minimum wage rate applicable to such individual under section 6(a) (1) of the Fair Labor Standards Act of 1938 (determined without regard to section 3(m) of such Act), the wages so paid shall be deemed for purposes of section 3111 to be equal to such total amount."

(b) Section 3111 of such Code is amended by inserting "and (t)" after "3121(a)" in subsections (a) and (b).

(c) The amendments made by this section shall apply with respect to wages paid with respect to employment performed in months after December 1977.

REVOCATION OF EXEMPTION FROM COVERAGE BY CLERGYMEN

SEC. 316. (a) Notwithstanding section 1402(e) (3) of the Internal Revenue Code of 1954, any exemption which has been received under section 1402(e) (1) of such Code by a duly ordained, commissioned, or licensed minister of a church or a Christian Science practitioner, and which is effective for the taxable year in which this Act is enacted, may be revoked by filing an application therefor (in such form and manner, and with such official, as may be prescribed in regulations made under chapter 2 of such Code), if such application is filed—

(1) before the applicant becomes entitled to benefits under section 202(a) or 223 of the Social Security Act (without regard to section 202(j) (1) or 223(b) of such Act), and

(2) no later than the due date of the Federal income tax return (including any extension thereof) for the applicant's first taxable year beginning after the date of the enactment of this Act.

Any such revocation shall be effective (for purposes of chapter 2 of the Internal Revenue Code of 1954 and title II of the Social Security Act), as specified in the application, either with respect to the applicant's first taxable year ending on or after the date of the enactment of this Act or with respect to the applicant's first taxable year beginning after such date, and for all succeeding taxable years; and the applicant for any such revocation may not thereafter again file application for an exemption under such section 1402(e) (1). If the application is filed on or after the due date of the applicant's first taxable year ending on or after the date of the enactment of this Act and is effective with respect to that taxable year, it shall include or be accompanied by payment in full of an amount equal to the total of the taxes that would have been imposed by section 1401 of the Internal Revenue Code of 1954 with respect to all of the applicant's income derived in that taxable year which would have constituted net earnings from self-employment for purposes of chapter 2 of such Code (notwithstanding section 1402(c) (4) or (c) (5) of such Code) except for the exemption under section 1402(e) (1) of such Code.

(b) Subsection (a) shall apply with respect to service performed (to the extent specified in such subsection) in taxable years ending on or after the date of the enactment of this Act, and with respect to monthly insurance benefits payable under title II of the Social Security Act on the basis of the wages and self-employment income of any individual for months in or after the calendar year in which such individual's application for revocation (as described in such subsection) is filed (and lump-sum death payments payable under such title on the basis of such wages and self-employment income in the case of deaths occurring in or after such calendar year).

INTERNATIONAL AGREEMENTS WITH RESPECT TO SOCIAL SECURITY BENEFITS

SEC. 317. (a) Title II of the Social Security Act is amended by adding at the end thereof the following new section:

"INTERNATIONAL AGREEMENTS

"Purpose of Agreement

"SEC. 233. (a) The President is authorized (subject to the succeeding provisions of this section) to enter into agreements establishing totalization arrangements between the social security system established by this title and the social security system of any foreign country, for the purposes of establishing entitlement to and the amount of old-age, survivors, disability, or derivative benefits based on a combination of an individual's periods of coverage under the social security system established by this title and the social security system of such foreign country.

"Definitions

"(b) For the purposes of this section—

"(1) the term 'social security system' means, with respect to a foreign country, a social insurance or pension system which is

of general application in the country and under which periodic benefits, or the actuarial equivalent thereof, are paid on account of old age, death, or disability; and

"(2) the term 'period of coverage' means a period of payment of contributions or a period of earnings based on wages for employment or on self-employment income, or any similar period recognized as equivalent thereto under this title or under the social security system of a country which is a party to an agreement entered into under this section.

"Crediting Periods of Coverage; Conditions of Payment of Benefits

"(c) (1) Any agreement establishing a totalization arrangement pursuant to this section shall provide—

"(A) that in the case of an individual who has at least 6 quarters of coverage as defined in section 213 of this Act and periods of coverage under the social security system of a foreign country which is a party to such agreement, periods of coverage of such individual under such social security system of such foreign country may be combined with periods of coverage under this title and otherwise considered for the purposes of establishing entitlement to and the amount of old-age, survivors, and disability insurance benefits under this title;

"(B) (i) that employment or self-employment, or any service which is recognized as equivalent to employment or self-employment under this title or the social security system of a foreign country which is a party to such agreement, shall, on or after the effective date of such agreement, result in a period of coverage under the system established under this title or under the system established under the laws of such foreign country, but not under both, and (ii) the methods and conditions for determining under which system employment, self-employment, or other service shall result in a period of coverage; and

"(C) that where an individual's periods of coverage are combined, the benefit amount payable under this title shall be based on the proportion of such individual's periods of coverage which was completed under this title.

"(2) Any such agreement may provide that—

"(A) an individual who is entitled to cash benefits under this title shall, notwithstanding the provisions of section 202(t), receive such benefits while he resides in a foreign country which is a party to such agreement; and

"(B) the benefit paid by the United States to an individual who legally resides in the United States shall, if less when added to the benefit paid by such foreign country than the benefit amount which would be payable to an entitled individual based on the first figure in (or deemed to be in) column IV of the table in section 215(a) in the case of an individual becoming eligible for such benefit before January 1, 1979, or based on a primary insurance amount determined under section 215(a)(1)(C)(i)(I) in the case of an individual becoming eligible for such benefit on or after that date, be increased so that the total of the two benefits is equal to the benefit amount which would be so payable.

"(3) Section 226 shall not apply in the case of any individual to whom it would not be applicable but for this section or any agreement or regulation under this section.

"(4) Any such agreement may contain other provisions which are not inconsistent with the other provisions of this title and which the President deems appropriate to carry out the purposes of this section.

"Regulations

"(d) The Secretary of Health, Education, and Welfare shall make rules and regulations and establish procedures which are reasonable and necessary to implement and administer any agreement which has been entered into in accordance with this section.

"Reports to Congress; Effective Date of Agreements

"(e)(1) Any agreement to establish a totalization arrangement entered into pursuant to this section shall be transmitted by the President to the Congress together with a report on the estimated number of individuals who will be affected by the agreement and the effect of the agreement on the estimated income and expenditures of the programs established by this Act.

"(2) Such an agreement shall become effective on any date, provided in the agreement, which occurs after the expiration of the period (following the date on which the agreement is transmitted in accordance with paragraph (1)) during which each House of the Congress has been in session on each of 90 days; except that such agreement shall not become effective if, during such period, either House of the Congress adopts a resolution of disapproval of the agreement."

(b)(1) Section 1401 of the Internal Revenue Code of 1954 is amended by adding at the end thereof the following new subsection:

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, the self-employment income of an individual shall be exempt from the taxes imposed by this section to the extent that such self-employment income is subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country."

(2) Sections 3101 and 3111 of such Code are each amended by adding at the end thereof the following new subsection:

"(c) RELIEF FROM TAXES IN CASES COVERED BY CERTAIN INTERNATIONAL AGREEMENTS.—During any period in which there is in effect an agreement entered into pursuant to section 233 of the Social Security Act with any foreign country, wages received by or paid to an individual shall be exempt from the taxes imposed by this section to the extent that such wages are subject under such agreement to taxes or contributions for similar purposes under the social security system of such foreign country."

(3) Section 6051(a) of such Code is amended by adding at the end thereof the following new sentence: "The amounts required to be shown by paragraph (5) shall not include wages which are exempted

pursuant to sections 3101(c) and 3111(c) from the taxes imposed by section 3101 and 3111.”.

(4) Notwithstanding any other provision of law, taxes paid by any individual to any foreign country with respect to any period of employment or self-employment which is covered under the social security system of such foreign country in accordance with the terms of an agreement entered into pursuant to section 233 of the Social Security Act shall not, under the income tax laws of the United States, be deductible by, or creditable against the income tax of, any such individual.

MODIFICATION OF AGREEMENT WITH ILLINOIS TO PROVIDE COVERAGE FOR CERTAIN POLICEMEN AND FIREMEN

Sec. 318. (a) Notwithstanding the provisions of subsection (d) (5) (A) of section 218 of the Social Security Act and the references thereto in subsections (d) (1) and (d) (3) of such section 218, the agreement with the State of Illinois heretofore entered into pursuant to such section 218 may, at any time prior to January 1, 1979, be modified pursuant to subsection (c) (4) of such section 218 so as to apply to services performed in policemen's or firemen's positions covered by the Illinois Municipal Retirement Fund on the date of the enactment of this Act if the State of Illinois has at any time prior to the date of the enactment of this Act paid to the Secretary of the Treasury, with respect to any of the services performed in such positions, the sums prescribed pursuant to subsection (e) (1) of such section 218. For purposes of this section, a retirement system which covers positions of policemen or firemen shall, if the State of Illinois so desires, be deemed to be a separate retirement system with respect to the positions of such policemen or firemen, as the case may be.

(b) Notwithstanding the provisions of subsection (f) of section 218 of the Social Security Act, any modification in the agreement with the State of Illinois under subsection (a) of this section, to the extent that it involves services performed by a policeman or fireman in positions covered under the Illinois Municipal Retirement Fund, shall be made effective with respect to—

(1) all services performed by policemen or firemen, in positions to which the modification relates, on or after the date of the enactment of this Act; and

(2) all services performed by such individuals in such positions before such date of enactment with respect to which the State of Illinois has paid to the Secretary of the Treasury the sums prescribed pursuant to subsection (e) (1) of such section 218 at the time or times established pursuant to such subsection (e) (1), if and to the extent that—

(A) no refund of the sums so paid has been obtained, or

(B) a refund of part or all of the sums so paid has been obtained but the State of Illinois repays to the Secretary of the Treasury the amount of such refund within 90 days after the date that the modification is agreed to by the State and the Secretary of Health, Education, and Welfare.

COVERAGE FOR POLICEMEN AND FIREMEN IN MISSISSIPPI

SEC. 319. Section 218(p)(1) of the Social Security Act is amended by inserting "Mississippi," after "Maryland,".

COVERAGE UNDER DIVIDED RETIREMENT SYSTEM FOR PUBLIC EMPLOYEES IN NEW JERSEY

SEC. 320. Section 218(d)(6)(C) of the Social Security Act is amended by inserting "New Jersey," after "Nevada,".

COVERAGE OF SERVICE UNDER WISCONSIN RETIREMENT SYSTEM

SEC. 321. Section 218(m)(1) of the Social Security Act is amended by inserting after "Wisconsin retirement fund" the following: "or any successor system".

PART C—BENEFIT AMOUNTS AND ELIGIBILITY

ACTUARIAL REDUCTION OF BENEFIT INCREASES TO BE APPLIED AS OF TIME OF ORIGINAL ENTITLEMENT

SEC. 331. (a) Section 202(q)(4) of the Social Security Act is amended by striking out all that follows subparagraph (B) and inserting in lieu thereof the following:

"then the amount of the reduction of such benefit (after the application of any adjustment under paragraph (7)) for each month beginning with the month of such increase in the primary insurance amount shall be computed under paragraph (1) or (3), whichever applies, as though the increased primary insurance amount had been in effect for and after the month for which the individual first became entitled to such monthly benefit reduced under such paragraph (1) or (3)."

(b) Section 202(q) of such Act is further amended by adding at the end thereof the following new paragraphs:

"(10) For purposes of applying paragraph (4), with respect to monthly benefits payable for any month after December 1977 to an individual who was entitled to a monthly benefit as reduced under paragraph (1) or (3) prior to January 1978, the amount of reduction in such benefit for the first month for which such benefit is increased by reason of an increase in the primary insurance amount of the individual on whose wages and self-employment income such benefit is based and for all subsequent months (and similarly for all subsequent increases) shall be increased by a percentage equal to the percentage increase in such primary insurance amount (such increase being made in accordance with the provisions of paragraph (8)). In the case of an individual whose reduced benefit under this section is increased as a result of the use of an adjusted reduction period or an additional adjusted reduction period (in accordance with paragraphs (1) and (3) of this subsection), then for the first month for which such increase is effective, and for all subsequent months, the amount of such reduction (after the application of the previous sentence, if applicable) shall be determined—

"(A) in the case of old-age, wife's, and husband's insurance benefits, by multiplying such amount by the ratio of (i) the num-

ber of months in the adjusted reduction period to (ii) the number of months in the reduction period,

"(B) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 62, by multiplying such amount by the ratio of (i) the number of months in the reduction period beginning with age 62 multiplied by $\frac{19}{40}$ of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by $\frac{19}{40}$ of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by $\frac{43}{240}$ of 1 percent to (ii) the number of months in the reduction period multiplied by $\frac{19}{40}$ of 1 percent, plus the number of months in the additional reduction period multiplied by $\frac{43}{240}$ of 1 percent, and

"(C) in the case of widow's and widower's insurance benefits for the month in which such individual attains age 65, by multiplying such amount by the ratio of (i) the number of months in the adjusted reduction period multiplied by $\frac{19}{40}$ of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by $\frac{43}{240}$ of 1 percent to (ii) the number of months in the reduction period beginning with age 62 multiplied by $\frac{19}{40}$ of 1 percent, plus the number of months in the adjusted reduction period prior to age 62 multiplied by $\frac{19}{40}$ of 1 percent, plus the number of months in the adjusted additional reduction period multiplied by $\frac{43}{240}$ of 1 percent,

such determination being made in accordance with the provisions of paragraph (8).

"(11) When an individual is entitled to more than one monthly benefit under this title and one or more of such benefits are reduced under this subsection, paragraph (10) shall apply separately to each such benefit reduced under this subsection before the application of subsection (k) (pertaining to the method by which monthly benefits are offset when an individual is entitled to more than one kind of benefit) and the application of this paragraph shall operate in conjunction with paragraph (3)."

(c) (1) Section 202(g)(7)(C) of such Act is amended by striking out "because" and all that follows and inserting in lieu thereof "because of the occurrence of an event that terminated her or his entitlement to such benefits,".

(2) Section 202(g)(3)(H) of such Act is amended by inserting "for that month or" after "first entitled".

(d) The amendments made by this section shall be effective with respect to monthly benefits payable for months after December 1977.

LIMITATION ON RETROACTIVE BENEFITS

SEC. 332. (a) (1) The first sentence of section 202(j)(1) of the Social Security Act is amended by striking out "An individual" and inserting in lieu thereof "Subject to the limitations contained in paragraph (4), an individual".

(2) Section 202(j) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) (A) Except as provided in subparagraph (B), no individual shall be entitled to a monthly benefit under subsection (a), (b), (c), (e), or (f) for any month prior to the month in which he or she files an application for benefits under that subsection if the effect of entitlement to such benefit would be to reduce, pursuant to subsection (g), the amount of the monthly benefit to which such individual would otherwise be entitled for the month in which such application is filed.

"(B) (i) If the individual applying for retroactive benefits is applying for such benefits under subsection (a), and there are one or more other persons who would (except for subparagraph (A)) be entitled for any month, on the basis of the wages and self-employment income of such individual and because of such individual's entitlement to such retroactive benefits, to retroactive benefits under subsection (b), (c), or (d) not subject to reduction under subsection (g), then subparagraph (A) shall not apply with respect to such month or any subsequent month.

"(ii) If the individual applying for retroactive benefits is a widow, surviving divorced wife, or widower and is under a disability (as defined in section 223(d)), and such individual would, except for subparagraph (A), be entitled to retroactive benefits as a disabled widow or widower or disabled surviving divorced wife for any month before attaining the age of 60, then subparagraph (A) shall not apply with respect to such month or any subsequent month.

"(iii) If the individual applying for retroactive benefits has excess earnings (as defined in section 203(f)) in the year in which he or she files an application for such benefits which could, except for subparagraph (A), be charged to months in such year prior to the month of application, then subparagraph (A) shall not apply to so many of such months immediately preceding the month of application as are required to charge such excess earnings to the maximum extent possible.

"(iv) As used in this subparagraph, the term 'retroactive benefits' means benefits to which an individual becomes entitled for a month prior to the month in which application for such benefits is filed."

(3) Section 226(h) of such Act is amended by adding at the end thereof the following new paragraph:

"(4) For purposes of determining entitlement to hospital insurance benefits under subsection (b) in the case of an individual described in clause (iii) of subsection (b)(2)(A), the entitlement of such individual to widow's or widower's insurance benefits under section 202(e) or (f) by reason of a disability shall be deemed to be the entitlement to such benefits that would result if such entitlement were determined without regard to the provisions of section 202(j)(4)."

(b) The amendments made by subsection (a) shall be effective with respect to monthly insurance benefits under title II of the Social Security Act to which an individual becomes entitled on the basis of an application filed on or after January 1, 1978.

DELIVERY OF BENEFIT CHECKS

SEC. 333. (a) Title VII of the Social Security Act is amended by adding at the end thereof the following new section:

"DELIVERY OF BENEFIT CHECKS"

"SEC. 708. (a) If the day regularly designated for the delivery of benefit checks under title II or title XVI falls on a Saturday, Sunday, or legal public holiday (as defined in section 6103 of title 5, United States Code) in any month, the benefit checks which would otherwise be delivered on such day shall be mailed for delivery on the first day preceding such day which is not a Saturday, Sunday, or legal public holiday (as so defined), without regard to whether the delivery of such checks would as a result have to be made before the end of the month for which such checks are issued.

"(b) If more than the correct amount of payment under title II or XVI is made to any individual as a result of the receipt of a benefit check pursuant to subsection (a) before the end of the month for which such check is issued, no action shall be taken (under section 204 or 1631(b) or otherwise) to recover such payment or the incorrect portion thereof."

(b) The amendment made by subsection (a) of this section shall apply with respect to benefit checks the regularly designated day for delivery of which occurs on or after the thirtieth day after the date of the enactment of this Act.

REDUCED BENEFITS FOR SPOUSES RECEIVING GOVERNMENT PENSIONS

SEC. 334. (a) (1) Section 202(b)(2) of the Social Security Act is amended by inserting after "subsection (q)" the following: "and paragraph (4) of this subsection".

(2) Section 202(b) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) (A) The amount of a wife's insurance benefit for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such wife (or divorced wife) for such month which is based upon her earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(b) (1) Section 202(c)(1) of such Act is amended—

- (A) by striking out subparagraph (C);
- (B) by adding "and" at the end of subparagraph (B); and
- (C) by redesignating subparagraph (D) as subparagraph (C).

(2) Section 202(c)(2) of such Act is amended to read as follows:

"(2)(A) The amount of a husband's insurance benefit for each month as determined after application of the provisions of subsections (q) and (k) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such husband for such month which is based upon his earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2)) if, on the last day he was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(3) Section 202(c)(3) of such Act is amended by inserting after "subsection (q)" the following: "and paragraph (2) of this subsection".

(c)(1) Section 202(e)(2)(A) of such Act (as amended by section 204(a) of this Act) is amended by striking out (paragraph (4)) in the first sentence and inserting in lieu thereof "paragraphs (4) and (8)".

(2) Section 202(e) of such Act is further amended by adding at the end thereof the following new paragraph:

"(8)(A) The amount of a widow's insurance benefit for each month as determined (after application of the provisions of subsections (q) and (k), paragraph (2)(B), and paragraph (4)) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such widow (or surviving divorced wife) for such month which is based upon her earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(b)(2)) if, on the last day she was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(d)(1) Section 202(f)(1) of such Act is amended—

(A) by striking out subparagraph (D); and

(B) by redesignating subparagraphs (E), (F), and (G) as subparagraphs (D), (E), and (F), respectively.

(2) Section 202(f)(2) of such Act is amended to read as follows:

"(2) (A) The amount of a widower's insurance benefit for each month (as determined after application of the provisions of subsections (k) and (q), paragraph (3) (B), and paragraph (5)) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such widower for such month which is based upon his earnings while in the service of the Federal Government or any State (or any political subdivision thereof, as defined in section 218(b) (2)) if, on the last day he was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equivalent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(3) Section 202(f) (3) (A) of such Act (as amended by section 204 (c) of this Act) is amended by striking out "paragraph (5)" in the first sentence and inserting in lieu thereof "paragraphs (2) and (5)".

(4) (A) Section 202(f) (7) of such Act is amended by striking out "paragraph (1) (G)" and inserting in lieu thereof "paragraph (1) (F)".

(B) Section 226(h) (1) (B) of such Act is amended by striking out "subparagraph (G) of section 202(f) (1)" and inserting in lieu thereof "subparagraph (F) of section 202(f) (1)".

(5) Section 202(p) (1) of such Act is amended by striking out "subparagraph (C) of subsection (c) (1), clause (i) or (ii) of subparagraph (D) of subsection (f) (1), or".

(6) Section 202(s) (3) of such Act is amended by striking out "Subsections" and all that follows down through "so much" and inserting in lieu thereof "So much".

(e) (1) Section 202(g) (2) of such Act is amended by striking out "Such" and inserting in lieu thereof "Except as provided in paragraph (4) of this subsection, such".

(2) Section 202(g) of such Act is further amended by adding at the end thereof the following new paragraph:

"(4) (A) The amount of a mother's insurance benefit for each month to which any individual is entitled under this subsection (as determined after application of subsection (k)) shall be reduced (but not below zero) by an amount equal to the amount of any monthly periodic benefit payable to such individual for such month which is based upon such individual's earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b) (2)) if, on the last day such individual was employed by such entity, such service did not constitute 'employment' as defined in section 210.

"(B) For purposes of this paragraph, any periodic benefit which otherwise meets the requirements of subparagraph (A), but which is paid on other than a monthly basis, shall be allocated on a basis equiv-

alent to a monthly benefit (as determined by the Secretary) and such equivalent monthly benefit shall constitute a monthly periodic benefit for purposes of subparagraph (A). For purposes of this subparagraph, the term 'periodic benefit' includes a benefit payable in a lump sum if it is a commutation of, or a substitute for, periodic payments."

(f) The amendments made by this section shall apply with respect to monthly insurance benefits payable under title II of the Social Security Act for months beginning with the month in which this Act is enacted, on the basis of applications filed in or after the month in which this Act is enacted.

(g) (1) The amendments made by the preceding provisions of this section shall not apply with respect to any monthly insurance benefit payable, under subsection (b), (c), (e), (f), or (g) (as the case may be) of section 202 of the Social Security Act, to an individual—

(A) to whom there is payable for any month within the 60-month period beginning with the month in which this Act is enacted (or who is eligible in any such month for) a monthly periodic benefit (within the meaning of such provisions) based upon such individual's earnings while in the service of the Federal Government or any State (or political subdivision thereof, as defined in section 218(b)(2) of the Social Security Act); and

(B) who at time of application for or initial entitlement to such monthly insurance benefit under such subsection (b), (c), (e), (f), or (g) meets the requirements of that subsection as it was in effect and being administered in January 1977.

(2) For purposes of paragraph (1)(A), an individual is eligible for a monthly periodic benefit for any month if such benefit would be payable to such individual for that month if such individual were not employed during that month and had made proper application for such benefit.

(3) If any provision of this subsection, or the application thereof to any person or circumstance, is held invalid, the remainder of this section shall not be affected thereby, but the application of this subsection to any other persons or circumstances shall also be considered invalid.

SUBSTANTIAL GAINFUL ACTIVITY IN CASE OF BLIND INDIVIDUALS

SEC. 335. Section 223(d)(4) of the Social Security Act is amended by inserting after the first sentence the following new sentence: "No individual who is blind shall be regarded as having demonstrated an ability to engage in substantial gainful activity on the basis of earnings that do not exceed the exempt amount under section 203(f)(8) which is applicable to individuals described in subparagraph (D) thereof."

REMARRIAGE OF WIDOWS AND WIDOWERS

SEC. 336. (a) (1) Section 202(e)(2)(A) of the Social Security Act (as amended by sections 204(a) and 334(c)(1) of this Act) is amended by striking out "paragraphs (4) and (8)" and inserting in lieu thereof "paragraph (8)".

(2) Section 202(e)(3) of such Act is amended by striking out "In the case of a widow or surviving divorced wife who marries" in the matter preceding subparagraph (A) and inserting in lieu thereof "If a widow, before attaining age 60, or a surviving divorced wife, marries".

(3) Section 202(e)(4) of such Act is amended to read as follows:

"(4) If a widow, after attaining age 60, marries, such marriage shall, for purposes of paragraph (1), be deemed not to have occurred."

(b)(1) Section 202(f)(3)(A) of such Act (as amended by sections 204(c) and 334(d)(3) of this Act) is further amended by striking out "paragraphs (2) and (5)" and inserting in lieu thereof "paragraph (2)".

(2) Section 202(f)(4) of such Act is amended by striking out "In the case of a widower who remarries" in the matter preceding subparagraph (A) and inserting in lieu thereof "If a widower, before attaining age 60, remarries".

(3) Section 202(f)(5) of such Act is amended to read as follows:

"(5) If a widower, after attaining age 60, marries, such marriage shall, for purposes of paragraph (1), be deemed not to have occurred."

(c)(1) The amendments made by this section shall apply only with respect to monthly benefits payable under title II of the Social Security Act for months after December 1978, and, in the case of individuals who are not entitled to benefits of the type involved for December 1978, only on the basis of applications filed on or after January 1, 1979.

(2) In the case of an individual who was entitled for the month of December 1978 to monthly insurance benefits under subsection (e) or (f) of section 202 of the Social Security Act to which the provisions of subsection (e)(4) or (f)(5) applied, the Secretary shall, if such benefits would be increased by the amendments made by this section, redetermine the amount of such benefits for months after December 1978 as if such amendments had been in effect for the first month for which the provisions of section 202(e)(4) or 202(f)(5) became applicable.

(d) Where—

(1) two or more persons are entitled to monthly benefits under section 202 of the Social Security Act for December 1978 on the basis of the wages and self-employment income of a deceased individual, and one or more of such persons is so entitled under subsection (e) or (f) of such section 202, and

(2) one or more of such persons is entitled on the basis of such wages and self-employment income to monthly benefits under subsection (e) or (f) of such section 202 (as amended by this section) for January 1979, and

(3) the total of benefits to which all persons are entitled under section 202 of such Act on the basis of such wages and self-employment income for January 1979 is reduced by reason of section 203(a) of such Act as amended by this Act (or would, but for the first sentence of section 203(a)(4), be so reduced), then the amount of the benefit to which each such person referred to in paragraph (1) is entitled for months after December 1978 shall in no case be less after the application of this section and such section 203(a).

than the amount it would have been without the application of this section.

DURATION-OF-MARRIAGE REQUIREMENT

SEC. 337. (a) Section 216(d) of the Social Security Act is amended by striking out "20 years" in paragraphs (1) and (2) and inserting in lieu thereof in each instance "10 years".

(b) Section 202(b)(1)(G) of such Act is amended by striking out "20 years" and inserting in lieu thereof "10 years".

(c) The amendments made by this section shall apply with respect to monthly benefits payable under title II of the Social Security Act for months after December 1978, and, in the case of individuals who are not entitled to benefits of the type involved for December 1978, only on the basis of applications filed on or after January 1, 1979.

PART D—STUDY WITH RESPECT TO GENDER-BASED DISTINCTIONS

STUDY OF PROPOSALS TO ELIMINATE DEPENDENCY AND SEX DISCRIMINATION UNDER THE SOCIAL SECURITY PROGRAM

SEC. 341. (a) The Secretary of Health, Education, and Welfare, in consultation with the Task Force on Sex Discrimination in the Department of Justice, shall make a detailed study, within the Department of Health, Education, and Welfare and the Social Security Administration, of proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the program established under title II of the Social Security Act, and of proposals to bring about equal treatment for men and women in any and all respects under such program, taking into account the practical effects (particularly the effect upon women's entitlement to such benefits) of factors such as—

- (1) changes in the nature and extent of women's participation in the labor force,
- (2) the increasing divorce rate, and
- (3) the economic value of women's work in the home.

The study shall include appropriate cost analyses.

(b) The Secretary shall submit to the Congress within six months after the date of the enactment of this Act a full and complete report on the study carried out under subsection (a).

PART E—COMBINED SOCIAL SECURITY AND INCOME TAX ANNUAL REPORTING

Subpart 1—Amendments to Title II of the Social Security Act

ANNUAL CREDITING OF QUARTERS OF COVERAGE

SEC. 351. (a) (1) Sections 209(g)(3), 209(j), 210(a)(17)(A), and 210(f)(4)(B) of the Social Security Act are each amended by striking out "quarter" wherever it appears and inserting in lieu thereof "year".

(2) Sections 209(g)(3) and 209(j) of such Act are each further amended by striking out "\$50" and inserting in lieu thereof "\$100".

(3) (A) Section 209 of such Act is amended by striking out "or" at the end of subsection (n), by striking out the period at the end of subsection (o) and inserting in lieu thereof "; or", and by inserting after subsection (o) the following new subsection:

"(p) Remuneration paid by an organization exempt from income tax under section 501 of the Internal Revenue Code of 1954 in any calendar year to an employee for service rendered in the employ of such organization, if the remuneration paid in such year by the organization to the employee for such service is less than \$100."

(B) Section 210(a)(10) of such Act is amended by striking out "(10) (A)" and all that follows down through "(B) Service" and inserting in lieu thereof "(10) Service", and by redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively.

(b) Section 212 of such Act is amended to read as follows:

"CREDITING OF SELF-EMPLOYMENT INCOME TO CALENDAR YEARS

"SEC. 212. (a) For the purposes of determining average monthly wage and quarters of coverage the amount of self-employment income derived during any taxable year which begins before 1978 shall—

"(1) in the case of a taxable year which is a calendar year, be credited equally to each quarter of such calendar year; and

"(2) in the case of any other taxable year, be credited equally to the calendar quarter in which such taxable year ends and to each of the next three or fewer preceding quarters any part of which is in such taxable year.

"(b) For the purposes of determining average indexed monthly earnings, average monthly wage, and quarters of coverage the amount of self-employment income derived during any taxable year which begins after 1977 shall—

"(1) in the case of a taxable year which is a calendar year or which begins with or during a calendar year and ends with or during such year, be credited to such calendar year; and

"(2) in the case of any other taxable year, be allocated proportionately to the two calendar years, portions of which are included within such taxable year, on the basis of the number of months in each such calendar year which are included completely within the taxable year.

For purposes of clause (2), the calendar month in which a taxable year ends shall be treated as included completely within that taxable year."

(c) Section 213(a)(2) of such Act is amended to read as follows:

"(2) (A) The term 'quarters of coverage' means—

"(i) for calendar years before 1978, and subject to the provisions of subparagraph (B), a quarter in which an individual has been paid \$50 or more in wages (except wages for agricultural labor paid after 1954) or for which he has been credited (as determined under section 212) with \$100 or more of self-employment income; and

"(ii) for calendar years after 1977, and subject to the provisions of subparagraph (B), each portion of the total of the wages paid

and the self-employment income credited (pursuant to section 212) to an individual in a calendar year which equals \$250, with such quarter of coverage being assigned to a specific calendar quarter in such calendar year only if necessary in the case of any individual who has attained age 62 or died or is under a disability and the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216(i) would not otherwise be met.

“(B) Notwithstanding the provisions of subparagraph (A)—

“(i) no quarter after the quarter in which an individual dies shall be a quarter of coverage, and no quarter any part of which is included in a period of disability (other than the initial quarter and the last quarter of such period) shall be a quarter of coverage;

“(ii) if the wages paid to an individual in any calendar year equal to \$3,000 in the case of a calendar year before 1951, or \$3,600 in the case of a calendar year after 1950 and before 1955, or \$4,200 in the case of a calendar year after 1954 and before 1959, or \$4,800 in the case of a calendar year after 1958 and before 1966, or \$6,600 in the case of a calendar year after 1965 and before 1968, or \$7,800 in the case of a calendar year after 1967 and before 1972, or \$9,000 in the case of the calendar year 1972, or \$10,800 in the case of the calendar year 1973, or \$13,200 in the case of the calendar year 1974, or an amount equal to the contribution and benefit base (as determined under section 230) in the case of any calendar year after 1974 and before 1978 with respect to which such contribution and benefit base is effective, each quarter of such year shall (subject to clauses (i) and (v)) be a quarter of coverage;

“(iii) if an individual has self-employment income for a taxable year, and if the sum of such income and the wages paid to him during such year equals \$3,600 in the case of a taxable year beginning after 1950 and ending before 1955, or \$4,200 in the case of a taxable year ending after 1954 and before 1959, or \$4,800 in the case of a taxable year ending after 1958 and before 1966, or \$6,600 in the case of a taxable year ending after 1965 and before 1968, or \$7,800 in the case of a taxable year ending after 1967 and before 1972, or \$9,000 in the case of a taxable year beginning after 1971 and before 1973, or \$10,800 in the case of a taxable year beginning after 1972 and before 1974, or \$13,200 in the case of a taxable year beginning after 1973 and before 1975, or an amount equal to the contribution and benefit base (as determined under section 230) which is effective for the calendar year in the case of any taxable year beginning in any calendar year after 1974 and before 1978, each quarter any part of which falls in such year shall (subject to clauses (i) and (v)) be a quarter of coverage;

“(iv) if an individual is paid wages for agricultural labor in a calendar year after 1954 and before 1978, then, subject to clauses (i) and (v), (I) the last quarter of such year which can be but is not otherwise a quarter of coverage shall be a quarter of coverage if such wages equal or exceed \$100 but are less than \$200; (II) the last two quarters of such year which can be but are not otherwise

quarters of coverage shall be quarters of coverage if such wages equal or exceed \$200 but are less than \$300; (III) the last three quarters of such year which can be but are not otherwise quarters of coverage shall be quarters of coverage if such wages equal or exceed \$300 but are less than \$400; and (IV) each quarter of such year which is not otherwise a quarter of coverage shall be a quarter of coverage if such wages are \$400 or more;

“(v) no quarter shall be counted as a quarter of coverage prior to the beginning of such quarter;

“(vi) not more than one quarter of coverage may be credited to a calendar quarter; and

“(vii) no more than four quarters of coverage may be credited to any calendar year after 1977.

If in the case of an individual who has attained age 62 or died or is under a disability and who has been paid wages for agricultural labor in a calendar year after 1954 and before 1978, the requirements for insured status in subsection (a) or (b) of section 214, the requirements for entitlement to a computation or recomputation of his primary insurance amount, or the requirements of paragraph (3) of section 216(i) are not met after assignment of quarters of coverage to quarters in such year as provided in clause (iv) of the preceding sentence, but would be met if such quarters of coverage were assigned to different quarters in such year, then such quarters of coverage shall instead be assigned, for purposes only of determining compliance with such requirements, to such different quarters. If, in the case of an individual who did not die prior to January 1, 1955, and who attained age 62 (if a woman) or age 65 (if a man) or died before July 1, 1957, the requirements for insured status in section 214(a)(3) are not met because of his having too few quarters of coverage but would be met if his quarters of coverage in the first calendar year in which he had any covered employment had been determined on the basis of the period during which wages were earned rather than on the basis of the period during which wages were paid (any such wages paid that are reallocated on an earned basis shall not be used in determining quarters of coverage for subsequent calendar years), then upon application filed by the individual or his survivors and satisfactory proof of his record of wages earned being furnished by such individual or his survivors, the quarters of coverage in such calendar year may be determined on the basis of the periods during which wages were earned.”

(d) The amendments made by subsection (a) shall apply with respect to remuneration paid and services rendered after December 31, 1977. The amendments made by subsections (b) and (c) shall be effective January 1, 1978.

ADJUSTMENT IN AMOUNT REQUIRED FOR A QUARTER OF COVERAGE

SEC. 352. (a) Section 213(a)(2)(A)(ii) of the Social Security Act, as amended by section 351(c) of this Act, is amended by striking out “\$250” and inserting in lieu thereof “the amount required for a quarter of coverage in that calendar year (as determined under subsection (d))”.

(b) Section 213 of such Act is further amended by adding at the end thereof the following new subsection:

"Amount Required for a Quarter of Coverage

"(d) (1) The amount of wages and self-employment income which an individual must have in order to be credited with a quarter of coverage in any year under subsection (a) (2) (A) (ii) shall be \$250 in the calendar year 1978 and the amount determined under paragraph (2) of this subsection for years after 1978.

"(2) The Secretary shall, on or before November 1 of 1978 and of every year thereafter, determine and publish in the Federal Register the amount of wages and self-employment income which an individual must have in order to be credited with a quarter of coverage in the succeeding calendar year. The amount required for a quarter of coverage shall be the larger of—

"(A) the amount in effect in the calendar year in which the determination under this subsection is made, or

"(B) the product of the amount prescribed in paragraph (1) which is required for a quarter of coverage in 1978 and the ratio of the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the year in which the determination under this paragraph is made to the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for 1976 (as published in the Federal Register in accordance with section 215(a) (1) (D)), with such product, if not a multiple of \$10, being rounded to the next higher multiple of \$10 where such amount is a multiple of \$5 but not of \$10 and to the nearest multiple of \$10 in any other case."

(c) The amendments made by this section shall be effective January 1, 1978.

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 353. (a) (1) Section 203(f) (8) (B) (i) of the Social Security Act is amended by striking out "was" wherever it appears and inserting in lieu thereof "is".

(2) Section 203(f) (8) (B) (ii) of such Act is amended to read as follows:

"(ii) the product of the exempt amount described in clause (i) and the ratio of (I) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the calendar year in which the determination under subparagraph (A) is made to (II) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year before the most recent calendar year in which an increase in the exempt amount was enacted or a determination resulting

in such an increase was made under subparagraph (A), with such product, if not a multiple of \$10, being rounded to the next higher multiple of \$10 where such product is a multiple of \$5 but not of \$10 and to the nearest multiple of \$10 in any other case."

(b) (1) *The first sentence of section 218(c) (8) of such Act is amended by striking out "quarter" wherever it appears and inserting in lieu thereof "year", and by striking out "\$50" and inserting in lieu thereof "\$100".*

(2) *Section 218(g) (1) of such Act is amended by striking out "quarter" and inserting in lieu thereof "year".*

(3) *Section 218(q) (4) (B) of such Act is amended by striking out "any calendar quarters" and inserting in lieu thereof "a calendar year" and by striking out "such calendar quarters" and inserting in lieu thereof "such calendar year".*

(4) *Section 218(q) (6) (B) of such Act is amended by striking out "calendar quarters designated by the State in such wage reports as the" and inserting in lieu thereof "period or periods designated by the State in such wage reports as the period or".*

(5) *Section 218(r) (1) of such Act is amended—*

(A) by striking out "quarter" in the matter before clause (A) and inserting in lieu thereof "year",

(B) by striking out "in which occurred the calendar quarter" in clause (A), and

(C) by striking out "quarter" in clause (B) and inserting in lieu thereof "year".

(c) (1) *Effective with respect to estimates for calendar years beginning after December 31, 1977, section 224(a) of such Act is amended by striking out the last sentence.*

(2) *Section 224(f) (2) of such Act is amended to read as follows:*

"(2) In making the redetermination required by paragraph (1), the individual's average current earnings (as defined in subsection (a)) shall be deemed to be the product of—

"(A) his average current earnings as initially determined under subsection (a);

"(B) the ratio of (i) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the year in which such redetermination is made to (ii) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for calendar year 1977 or, if later, the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability); and

"(C) in any case in which the reduction was first computed before 1978, the ratio of (i) the average of the taxable wages reported to the Secretary for the first calendar quarter of 1977 to (ii) the average of the taxable wages reported to the Secretary for the first calendar quarter of the calendar year before the year in which the reduction was first computed (but not counting any reduction made in benefits for a previous period of disability).

Any amount determined under this paragraph which is not a multiple of \$1 shall be reduced to the next lower multiple of \$1."

(d) Section 229(a) of such Act is amended—

(1) by striking out "shall be deemed to have been paid, in each calendar quarter occurring after 1956 in which he" and inserting in lieu thereof "if he", and

(2) by striking out "wages (in addition to the wages actually paid to him for such service) of \$300." at the end thereof and inserting in lieu thereof the following: "shall be deemed to have been paid—

"(1) in each calendar quarter occurring after 1956 and before 1978 in which he was paid such wages, additional wages of \$300, and

"(2) in each calendar year occurring after 1977 in which he was paid such wages, additional wages of \$100 for each \$300 of such wages, up to a maximum of \$1,200 of additional wages for any calendar year."

(e) (1) Section 230(b) of such Act is amended by striking out the last sentence.

(2) Section 230(b) (1) of such Act is amended to read as follows:

"(1) the contribution and benefit base which is in effect with respect to remuneration paid in (and taxable years beginning in) the calendar year in which the determination under subsection (a) is made, and"

(3) Section 230(b) (2) of such Act is amended to read as follows:

"(2) the ratio of (A) the average of the total wages (as defined in regulations of the Secretary and computed without regard to the limitations specified in section 209(a)) reported to the Secretary of the Treasury or his delegate for the calendar year before the calendar year in which the determination under subsection (a) is made to (B) the average of the total wages (as so defined and computed) reported to the Secretary of the Treasury or his delegate for the calendar year before the most recent calendar year in which an increase in the contribution and benefit base was enacted or a determination resulting in such an increase was made under subsection (a),"

(f) (1) Effective with respect to convictions after December 31, 1977, section 202(u) (1) (C) of such Act is amended by striking out "quarter" wherever it appears and inserting in lieu thereof "year".

(2) (A) Section 205(c) (1) of such Act is amended by striking out "(as defined in section 211(e))".

(B) Section 205(c) (1) of such Act is further amended by adding at the end thereof the following new subparagraph:

"(D) The term 'period' when used with respect to self-employment income means a taxable year and when used with respect to wages means—

"(i) a quarter if wages were reported or should have been reported on a quarterly basis on tax returns filed with the Secretary of the Treasury or his delegate under section 6011 of the Internal Revenue Code of 1954 or regulations thereunder (or on reports filed by a State under section 218(e) or regulations thereunder),

“(ii) a year if wages were reported or should have been reported on a yearly basis on such tax returns or reports, or
 “(iii) the half year beginning January 1 or July 1 in the case of wages which were reported or should have been reported for calendar year 1937.”

(C) Section 205(o) of such Act is amended by inserting “before 1978” after “calendar year”.

(g) The amendments made by subsection (b) of this section shall apply with respect to remuneration paid after December 31, 1977, except that the amendment made by subsection (b) (2) shall apply with respect to notices submitted by the States to the Secretary after the date of the enactment of this Act. The amendments made by subsections (d) and (f) (2) shall be effective January 1, 1978. Except as otherwise specifically provided, the remaining amendments made by this section shall be effective January 1, 1979.

Subpart 2—Amendments to the Internal Revenue Code of 1954

DEDUCTION OF TAX FROM WAGES

SEC. 355. (a) Section 3102(a) of the Internal Revenue Code of 1954 is amended by striking out “or (C) or (10)”, and by inserting after “is less than \$50;” the following: “and an employer who in any calendar year pays to an employee cash remuneration to which paragraph (7)(C) or (10) of section 3121(a) is applicable may deduct an amount equivalent to such tax from any such payment of remuneration, even though at the time of payment the total amount of such remuneration paid to the employee by the employer in the calendar year is less than \$100;”.

(b) (1) Paragraphs (1) and (2) of section 3102(c) of such Code are each amended by striking out “quarter” wherever it appears and by inserting in lieu thereof “year”.

(2) Paragraph (3) of section 3102(c) of such Code is amended—

(A) by striking out “quarter of the” in subparagraph (A); and

(B) by striking out “quarter” wherever it appears in subparagraphs (B) and (C) and inserting in lieu thereof “year”.

(c) The amendments made by this section shall apply with respect to remuneration paid and to tips received after December 31, 1977.

TECHNICAL AND CONFORMING AMENDMENTS

SEC. 356. (a) Sections 3121(a)(7)(C) and 3121(a)(10) of the Internal Revenue Code of 1954 are each amended by striking out “quarter” wherever it appears and inserting in lieu thereof “year”, and by striking out “\$50” and inserting in lieu thereof “\$100”.

(b) Section 3121(a) of such Code is amended by striking out “or” at the end of paragraph (14), by striking out the period at the end of paragraph (15) and inserting in lieu thereof “; or”, and by adding after paragraph (15) the following new paragraph:

“(16) remuneration paid by an organization exempt from income tax under section 501(a) (other than an organization de-

scribed in section 401(a) or under section 521 in any calendar year to an employee for service rendered in the employ of such organization, if the remuneration paid in such year by the organization to the employee for such service is less than \$100."

(c) Section 3121(b)(10) of such Code is amended by striking out "(10)(A)" and all that follows down through "(B) service" and inserting in lieu thereof "(10) service", and redesignating clauses (i) and (ii) as subparagraphs (A) and (B), respectively.

(d) Sections 3121(b)(17)(A) and 3121(g)(4)(B) of such Code are each amended by striking out "quarter" and inserting in lieu thereof "year".

(e) The amendments made by this section shall apply with respect to remuneration paid and services rendered after December 31, 1977.

Subpart 3—Conforming Amendment to the Railroad Retirement Act of 1974

COMPUTATION OF EMPLOYEE ANNUITIES

SEC. 358. (a) The last sentence of section 3(f)(1) of the Railroad Retirement Act of 1974 is amended—

(1) by inserting "paid before 1978" after "in the case of wages", and

(2) by inserting "and in the case of wages paid after 1977" before the period at the end thereof.

(b) The amendments made by this section shall be effective January 1, 1978.

PART F—NATIONAL COMMISSION ON SOCIAL SECURITY

ESTABLISHMENT OF COMMISSION

SEC. 361. (a) (1) There is hereby established a commission to be known as the National Commission on Social Security (hereinafter referred to as the "Commission").

(2) (A) The Commission shall consist of—

(i) five members to be appointed by the President, by and with the advice and consent of the Senate, one of whom shall, at the time of appointment, be designated as Chairman of the Commission;

(ii) two members to be appointed by the Speaker of the House of Representatives; and

(iii) two members to be appointed by the President pro tempore of the Senate.

(B) At no time shall more than three of the members appointed by the President, one of the members appointed by the Speaker of the House of Representatives, or one of the members appointed by the President pro tempore of the Senate be members of the same political party.

(C) The membership of the Commission shall consist of individuals who are of recognized standing and distinction and who possess the demonstrated capacity to discharge the duties imposed on the Com-

mission, and shall include representatives of the private insurance industry and of recipients and potential recipients of benefits under the programs involved as well as individuals whose capacity is based on a special knowledge or expertise in those programs. No individual who is otherwise an officer or full-time employee of the United States shall serve as a member of the Commission.

(D) The Chairman of the Commission shall designate a member of the Commission to act as Vice Chairman of the Commission.

(E) A majority of the members of the Commission shall constitute a quorum, but a lesser number may conduct hearings.

(F) Members of the Commission shall be appointed for a term of two years.

(G) A vacancy in the Commission shall not affect its powers, but shall be filled in the same manner as that herein provided for the appointment of the member first appointed to the vacant position.

(3) Members of the Commission shall receive \$138 per diem while engaged in the actual performance of the duties vested in the Commission, plus reimbursement for travel, subsistence, and other necessary expenses incurred in the performance of such duties.

(4) The Commission shall meet at the call of the Chairman, or at the call of a majority of the members of the Commission; but meetings of the Commission shall be held not less frequently than once in each calendar month which begins after a majority of the authorized membership of the Commission has first been appointed.

(b) (1) It shall be the duty and function of the Commission to conduct a continuing study, investigation, and review of—

(A) the Federal old-age, survivors, and disability insurance program established by title II of the Social Security Act; and

(B) the health insurance programs established by title XVIII of such Act.

(2) Such study, investigation, and review of such programs shall include (but not be limited to)—

(A) the fiscal status of the trust funds established for the financing of such programs and the adequacy of such trust funds to meet the immediate and long-range financing needs of such programs;

(B) the scope of coverage, the adequacy of benefits including the measurement of an adequate retirement income, and the conditions of qualification for benefits provided by such programs including the application of the retirement income test to unearned as well as earned income;

(C) the impact of such programs on, and their relation to, public assistance programs, nongovernmental retirement and annuity programs, medical service delivery systems, and national employment practices;

(D) any inequities (whether attributable to provisions of law relating to the establishment and operation of such programs, to rules and regulations promulgated in connection with the administration of such programs, or to administrative practices and procedures employed in the carrying out of such programs) which affect substantial numbers of individuals who are insured

or otherwise eligible for benefits under such programs, including inequities and inequalities arising out of marital status, sex, or similar classifications or categories;

(E) possible alternatives to the current Federal programs or particular aspects thereof, including but not limited to (i) a phasing out of the payroll tax with the financing of such programs being accomplished in some other manner (including general revenue funding and the retirement bond), (ii) the establishment of a system providing for mandatory participation in any or all of the Federal programs, (iii) the integration of such current Federal programs with private retirement programs, and (iv) the establishment of a system permitting covered individuals a choice of public or private programs or both;

(F) the need to develop a special Consumer Price Index for the elderly, including the financial impact that such an index would have on the costs of the programs established under the Social Security Act; and

(G) methods for effectively implementing the recommendations of the Commission.

(3) In order to provide an effective opportunity for the general public to participate fully in the study, investigation, and review under this section, the Commission, in conducting such study, investigation, and review, shall hold public hearings in as many different geographical areas of the country as possible. The residents of each area where such a hearing is to be held shall be given reasonable advance notice of the hearing and an adequate opportunity to appear and express their views on the matters under consideration.

(c) (1) No later than four months after the date on which a majority of the authorized membership of the Commission is initially appointed, the Commission shall submit to the President and the Congress a special report describing the Commission's plans for conducting the study, investigation, and review under subsection (b), with particular reference to the scope of such study, investigation, and review and the methods proposed to be used in conducting it.

(2) At or before the close of each of the first two years after the date on which a majority of the authorized membership of the Commission is initially appointed, the Commission shall submit to the President and the Congress an annual report on the study, investigation, and review under subsection (b), together with its recommendations with respect to the programs involved. The second such report shall constitute the final report of the Commission on such study, investigation, and review, and shall include its final recommendations; and upon the submission of such final report the Commission shall cease to exist.

(d) (1) The Commission shall appoint an Executive Director of the Commission who shall be compensated at a rate fixed by the Commission, but which shall not exceed the rate established for level V of the Executive Schedule by title 5, United States Code.

(2) In addition to the Executive Director, the Commission shall have the power to appoint and fix the compensation of such personnel as it deems advisable, in accordance with the provisions of title 5, United States Code, governing appointments to the competitive service, and the provisions of chapter 51 and subchapter III of chapter 53 of such title, relating to classification and General Schedule pay rates.

(e) *In carrying out its duties under this section, the Commission, or any duly authorized committee thereof, is authorized to hold such hearings, sit and act at such times and places, and take such testimony, with respect to matters with respect to which it has a responsibility under this section, as the Commission or such committee may deem advisable. The Chairman of the Commission or any member authorized by him may administer oaths or affirmations to witnesses appearing before the Commission or before any committee thereof.*

(f) *The Commission may secure directly from any department or agency of the United States such data and information as may be necessary to enable it to carry out its duties under this section. Upon request of the Chairman of the Commission, any such department or agency shall furnish any such data or information to the Commission.*

(g) *The General Services Administration shall provide to the Commission, on a reimbursable basis such administrative support services as the Commission may request.*

(h) *There are hereby authorized to be appropriated such sums as may be necessary to carry out this section.*

(i) *It shall be the duty of the Health Insurance Benefits Advisory Council (established by section 1867 of the Social Security Act) to provide timely notice to the Commission of any meeting, and the Chairman of the Commission (or his delegate) shall be entitled to attend any such meeting.*

PART G—MISCELLANEOUS PROVISIONS

APPOINTMENT OF HEARING EXAMINERS.

SEC. 371. The persons who were appointed to serve as hearing examiners under section 1631(d)(2) of the Social Security Act (as in effect prior to January 2, 1976), and who by section 3 of Public Law 94-202 were deemed to be appointed under section 3105 of title 5, United States Code (with such appointments terminating no later than at the close of the period ending December 31, 1978), shall be deemed appointed to career-absolute positions as hearing examiners under and in accordance with section 3105 of title 5, United States Code, with the same authority and tenure (without regard to the expiration of such period) as hearing examiners appointed directly under such section 3105, and shall receive compensation at the same rate as hearing examiners appointed by the Secretary of Health, Education, and Welfare directly under such section 3105. All of the provisions of title 5, United States Code, and the regulations promulgated pursuant thereto, which are applicable to hearing examiners appointed under such section 3105, shall apply to the persons described in the preceding sentence.

REPORT OF ADVISORY COUNCIL ON SOCIAL SECURITY

SEC. 372. Notwithstanding the provisions of section 706(d) of the Social Security Act, the report of the Advisory Council on Social Security which is due not later than January 1, 1979, may be filed at any date prior to October 1, 1979.

**TITLE IV—PROVISIONS RELATING TO CERTAIN STATE
WELFARE AND SERVICE PROGRAMS RECEIVING
FEDERAL FINANCIAL ASSISTANCE**

**FISCAL RELIEF FOR STATES AND POLITICAL SUBDIVISIONS WITH RESPECT TO
COSTS OF WELFARE PROGRAMS**

SEC. 401. *Section 403 of the Social Security Act is amended—*

(1) in subsection (a), by adding at the end thereof the following new paragraph:

"In the case of calendar quarters beginning after September 30, 1977, and prior to April 1, 1978, the amount to be paid to each State (as determined under the preceding provisions of this subsection or section 1118, as the case may be) shall be increased in accordance with the provisions of subsection (i) of this section." ; and

(2) by adding at the end thereof the following new subsection:

"(i) (1) In the case of any calendar quarter which begins after September 30, 1977, and prior to April 1, 1978, the amount payable (as determined under subsection (a) or section 1118, as the case may be) to each State which has a State plan approved under this part shall (subject to the succeeding paragraphs of this subsection) be increased by an amount equal to the sum of the following:

"(A) an amount which bears the same ratio to \$46,750,000 as the amount expended as aid to families with dependent children under the State plan of such State during the month of December 1976 bears to the amount expended as aid to families with dependent children under the State plans of all States during such month, and

"(B) (i) in the case of Puerto Rico, Guam, and the Virgin Islands, an amount equal to the amount determined under subparagraph (A) with respect to such State, or

"(ii) in the case of any other State, an amount which bears the same ratio to \$46,750,000, minus the amounts determined under clause (i) of this subparagraph, as the amount allocated to such State under section 106 of the State and Local Fiscal Assistance Act of 1972, for the most recent entitlement period for which allocations have been made under such section prior to the date of the enactment of this subsection, bears to the total of the amounts allocated to all States under such section 106 for such period.

"(2) As a condition of any State receiving an increase, by reason of the application of the foregoing provisions of this subsection, in the amount determined for such State pursuant to subsection (a) or under section 1118 (as the case may be), such State must agree to pay to any political subdivision thereof which participates in the cost of the State's plan approved under this part, during any calendar quarter with respect to which such increase applies, so much of such increase as does not exceed 100 per centum of such political subdivision's financial contribution to the State's plan for such quarter.

"(3) Notwithstanding any other provision of this part, the amount payable to any State by reason of the preceding provisions of this subsection for calendar quarters prior to April 1, 1978, shall be made in a

single installment, which shall be payable as shortly after October 1, 1977, as is administratively feasible."

INCENTIVE ADJUSTMENTS FOR QUALITY CONTROL IN FEDERAL FINANCIAL PARTICIPATION IN AID TO FAMILIES WITH DEPENDENT CHILDREN PROGRAMS

SEC. 402. (a) *Section 403 of the Social Security Act is amended by adding after subsection (i) (as added by section 401 of this Act) the following new subsection:*

"(j) If the dollar error rate of aid furnished by a State under its State plan approved under this part with respect to any six-month period, as based on samples and evaluations thereof, is—

"(1) at least 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be determined without regard to the provisions of this subsection; or

"(2) less than 4 per centum, the amount of the Federal financial participation in the expenditures made by the State in carrying out such plan during such period shall be the amount determined without regard to this subsection, plus, of the amount by which such expenditures are less than they would have been if the erroneous excess payments of aid had been at a rate of 4 per centum—

"(A) 10 per centum of the Federal share of such amount, in case such rate is not less than 3.5 per centum,

"(B) 20 per centum of the Federal share of such amount, in case such rate is at least 3.0 per centum but less than 3.5 per centum,

"(C) 30 per centum of the Federal share of such amount, in case such rate is at least 2.5 per centum but less than 3.0 per centum,

"(D) 40 per centum of the Federal share of such amount, in case such rate is at least 2.0 per centum but less than 2.5 per centum,

"(E) 50 per centum of the Federal share of such amount, in case such rate is less than 2.0 per centum.

For purposes of this subsection (i) the term 'dollar error rate of aid' means the total of the dollar error rates of aid for (I) payments to ineligible families receiving assistance; (II) overpayments to eligible families receiving assistance; (III) underpayments to eligible families receiving assistance; and (IV) nonpayments to eligible families not receiving assistance due to erroneous terminations or denials, and (ii) the term 'erroneous excess payments,' means the total of (I) erroneous payments to ineligible families receiving assistance, and (II) overpayments to eligible families receiving assistance."

(b) Payments may be made under the amendment made by subsection (a) only in the case of periods commencing on or after January 1, 1978.

ACCESS TO WAGE INFORMATION

SEC. 403. (a) *Part A of title IV of the Social Security Act is amended by adding after section 410 the following new section:*

"ACCESS TO WAGE INFORMATION"

"SEC. 411. (a) Notwithstanding any other provision of law, the Secretary shall make available to States and political subdivisions thereof wage information contained in the records of the Social Security Administration which is necessary (as determined by the Secretary in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under this part, and which is specifically requested by such State or political subdivision for such purposes.

"(b) The Secretary shall establish such safeguards as are necessary (as determined by the Secretary under regulations) to insure that information made available under the provisions of this section is used only for the purposes authorized by this section."

(b) Section 3304(a) of the Federal Unemployment Tax Act is amended by redesignating paragraph (16) as paragraph (17) and by inserting after paragraph (15) the following new paragraph:

"(16) (A) wage information contained in the records of the agency administering the State law which is necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) for purposes of determining an individual's eligibility for aid or services, or the amount of such aid or services, under a State plan for aid and services to needy families with children approved under part A of title IV of the Social Security Act, shall be made available to a State or political subdivision thereof when such information is specifically requested by such State or political subdivision for such purposes, and

"(B) such safeguards are established as are necessary (as determined by the Secretary of Health, Education, and Welfare in regulations) to insure that such information is used only for the purposes authorized under subparagraph (A);"

(c) Section 402(a) of the Social Security Act is amended—

(1) by striking out the word "and" at the end of paragraph (27);

(2) by striking out the period at the end of paragraph (28) and inserting in lieu thereof a semicolon and the word "and"; and

(3) by adding at the end thereof the following new paragraph:

"(29) effective October 1, 1979, provided that wage information available from the Social Security Administration under the provisions of section 411 of this Act, and wage information available (under the provisions of section 3304(a)(16) of the Federal Unemployment Tax Act) from agencies administering State unemployment compensation laws, shall be requested and utilized to the extent permitted under the provisions of such sections; except that the State shall not be required to request such information from the Social Security Administration where such information is available from the agency administering the State unemployment compensation laws."

(d) The amendments made by this section shall be effective on the date of the enactment of this Act.

STATE DEMONSTRATION PROJECTS

SEC. 404. Section 1115 of the Social Security Act is amended—

(1) by inserting "(a)" after "SEC. 1115.";

(2) by redesignating subsections (a) and (b) as paragraphs (1) and (2), respectively; and

(3) by adding at the end thereof the following new subsection:

"(b) (1) In order to permit the States to achieve more efficient and effective use of funds for public assistance, to reduce dependency, and to improve the living conditions and increase the incomes of individuals who are recipients of public assistance, any State having an approved plan under part A of title IV may, subject to the provisions of this subsection, establish and conduct not more than three demonstration projects. In establishing and conducting any such project the State shall—

"(A) provide that not more than one such project be conducted on a statewide basis;

"(B) provide that in making arrangements for public service employment—

"(i) appropriate standards for the health, safety, and other conditions applicable to the performance of work and training on such project are established and will be maintained,

"(ii) such project will not result in the displacement of employed workers,

"(iii) each participant in such project shall be compensated for work performed by him at an hourly rate equal to the prevailing hourly wage for similar work in the locality where the participant performs such work (and, for purposes of this clause, benefits payable under the State's plan approved under part A of title IV of the family of which such participant is a member shall be regarded as compensation for work performed by such participant),

"(iv) with respect to such project the conditions of work, training, education, and employment are reasonable in the light of such factors as the type of work, geographical region, and proficiency of the participant, and

"(v) appropriate workmen's compensation protection is provided to all participants; and

"(C) provide that participation in such project by any individual receiving aid to families with dependent children be voluntary.

"(2) Any State which establishes and conducts demonstration projects under this subsection may, subject to paragraph (3), with respect to any such project—

"(A) waive, subject to paragraph (3), any or all of the requirements of sections 402(a)(1) (relating to statewide operation), 402(a)(3) (relating to administration by a single State agency), 402(a)(8) (relating to disregard of earned income), except that no such waiver of 402(a)(8) shall operate to waive any amount in excess of one-half of the earned income of any individual, and 402(a)(19) (relating to the work incentive program);

"(B) subject to paragraph (4), use to cover the costs of the project such funds as are appropriated for payment to such State with respect to the assistance which is or would, except for participation in a project under this subsection, be payable to individuals participating in such projects under part A of title IV for any fiscal year in which such projects are conducted; and

"(C) use such funds as are appropriated for payments to States under the State and Local Fiscal Assistance Act of 1972 for any fiscal year in which the project is conducted to cover so much of the costs of salaries for individuals participating in public service employment as is not covered through the use of funds made available under subparagraph (B).

"(3) (A) Any State which wishes to establish and conduct demonstration projects under the provisions of this subsection shall submit an application to the Secretary in such form and containing such information as the Secretary may require. Whenever any State submits such an application to the Secretary, it shall at the same time issue public notice of that fact together with a general description of the project with respect to which the application is submitted, and shall invite comment thereon from interested parties and comments thereon may be submitted, within the 30-day period beginning with the date the application is submitted to the Secretary, to the State or the Secretary by such parties. The State shall also make copies of the application available for public inspection. The Secretary shall also immediately publish a summary of the proposed project, make copies of the application available for public inspection, and receive and consider comments submitted with respect to the application. A State shall be authorized to proceed with a project submitted under this subsection—

"(i) when such application has been approved by the Secretary (which shall be no earlier than 30 days following the date the application is submitted to him), or

"(ii) 60 days after the date on which such application is submitted to the Secretary unless, during such 60 day period, he denies the application.

"(B) Notwithstanding the provisions of paragraph (2) (A), the Secretary may review any waiver made by a State under such paragraph. Upon a finding that any such waiver is inconsistent with the purposes of this subsection and the purposes of part A of title IV, the Secretary may disapprove such waiver. The project with respect to which any such disapproved waiver was made shall be terminated by such State not later than the last day of the month following the month in which such waiver was disapproved.

"(4) Any amount payable to a State under section 403 (a) on behalf of an individual participating in a project under this section shall not be increased by reason of the participation of such individual in any demonstration project conducted under this subsection over the amount which would be payable if such individual were receiving aid to families with dependent children and not participating in such project.

"(5) Participation in a project established under this section shall not be considered to constitute employment for purposes of any finding with respect to 'unemployment' as that term is used in section 407.

"(6) Any demonstration project established and conducted pursuant to the provisions of this subsection shall be conducted for not longer than two years. All demonstration projects established and conducted pursuant to the provisions of this subsection shall be terminated not later than September 30, 1980."

REIMBURSEMENT FOR ERRONEOUS STATE SUPPLEMENTARY PAYMENTS

SEC. 405. (a) Notwithstanding any other provision of law, the Secretary of Health, Education, and Welfare is authorized and directed to pay to each State an amount equal to the amount expended by such State for erroneous supplementary payments to aged, blind, or disabled individuals whenever, and to the extent to which, the Secretary through an audit by the Department of Health, Education, and Welfare which has been reviewed and concurred in by the Inspector General of such department determines that—

(1) such amount was paid by such State as a supplementary payment during the calendar year 1974 pursuant to an agreement between the State and the Secretary required by section 212 of the Act entitled "An Act to extend the Renegotiation Act of 1951 for one year, and for other purposes", approved July 9, 1973, or such amount was paid by such State as an optional State supplementation, as defined in section 1616 of the Social Security Act, during the calendar year 1974,

(2) the erroneous payments were the result of good faith reliance by such State upon erroneous or incomplete information supplied by the Department of Health, Education, and Welfare, through the State data exchange, or good faith reliance upon incorrect supplemental security income benefit payments made by such department, and

(3) recovery of the erroneous payments by such State would be impossible or unreasonable.

(b) There are authorized to be appropriated such sums as are necessary to carry out the provisions of this section.

TITLE V—MISCELLANEOUS

COVERAGE UNDER MEDICARE OF CERTAIN POWER-OPERATED WHEELCHAIRS

SEC. 501. (a) Section 1861(s)(6) of the Social Security Act is amended by inserting after "wheelchairs" the following: "(which may include a power-operated vehicle that may be appropriately used as a wheelchair, but only where the use of such a vehicle is determined to be necessary on the basis of the individual's medical and physical condition and the vehicle meets such safety requirements as the Secretary may prescribe)".

(b) Section 1842(b)(3) of such Act is amended by inserting after the fourth sentence thereof the following new sentence: "With respect to power-operated wheelchairs for which payment may be made in accordance with section 1861(s)(6), charges determined to be reasonable may not exceed the lowest charge at which power-operated wheelchairs are available in the locality."

(c) *The amendments made by this section shall be effective in the case of items and services furnished after the date of the enactment of this Act.*

FEDERAL ELECTION CAMPAIGN ACT AMENDMENTS

SEC. 502. (a) *Section 328 of the Federal Election Campaign Act of 1971 (2 U.S.C. 441i) is amended—*

(1) *by inserting "(a)" immediately after "SEC. 328.", and*

(2) *by adding at the end thereof the following new subsections:*

"(b) *If an honorarium payable to a person is paid instead at his request to a charitable organization selected by payor from a list of 5 or more charitable organizations provided by that person, that person shall not be treated, for purposes of subsection (a), as accepting that honorarium. For purposes of this subsection, the term 'charitable organization' means an organization described in section 170(c) of the Internal Revenue Code of 1954.*

"(c) *For purposes of determining the aggregate amount of honorariums received by a person during any calendar year, amounts returned to the person paying an honorarium before the close of the calendar year in which it was received shall be disregarded.*

"(d) *For purposes of paragraph (2) of subsection (a), an honorarium shall be treated as accepted only in the year in which that honorarium is received.*"

(b) *The amendments made by subsection (a) shall apply with respect to any honorarium received after December 31, 1976.*

And the Senate agree to the same.

Amend the title so as to read:

An Act to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, and for other purposes."

And the Senate agree to the same.

RUSSELL B. LONG,
ABRAHAM RIBICOFF,
GAYLORD NELSON,
W. D. HATHAWAY,
DANIEL MOYNIHAN,
CARL T. CURTIS,
BILL ROTH,
JOHN C. DANFORTH,

Managers on the Part of the Senate.

AL ULLMAN,
JAMES A. BURKE,
DAN ROSTENKOWSKI,
JOE D. WAGGONER, Jr.,
WILLIAM R. COTTER,
ABNER J. MIKVA,
JIM GUY TUCKER,

Managers on the Part of the House.

JOINT EXPLANATORY STATEMENT OF THE COMMITTEE OF CONFERENCE

The managers on the part of the House and the Senate at the conference on the disagreeing votes of the two Houses on the amendment of the Senate to the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, submit the following joint statement to the House and the Senate in explanation of the effect of the action agreed upon by the managers and recommended in the accompanying conference report:

The House recedes from its disagreement to the amendment of the Senate with an amendment which is a substitute for both the House bill and the Senate amendment. The differences between the House bill, the Senate amendment, and the substitute agreed to in conference are generally described below, except for technical, clerical, conforming, clarifying, and minor drafting changes.

ADJUSTMENTS IN TAX RATES

The House bill contained changes in the social security tax schedule necessary to finance the social security system as modified by the House bill, as shown in table 1.

TABLE 1.—SOCIAL SECURITY TAX RATES—HOUSE-PASSED BILL
(In percent)

Calendar year	OASI ¹	DI ¹	OASDI ¹	HI	Total
Employees and employers, each					
1977.....	4.375	0.575	4.95	0.90	5.85
1978.....	4.275	.775	5.05	1.00	6.05
1979-80.....	4.300	.750	5.05	1.00	6.05
1981.....	4.450	.800	5.25	1.30	6.55
1982-84.....	4.550	.800	5.35	1.30	6.65
1985.....	4.750	.900	5.65	1.30	6.95
1986-89.....	4.750	.900	5.65	1.45	7.10
1990 and after.....	5.100	1.100	6.20	1.45	7.65
Self-employed					
1977.....	6.185	0.815	7.00	0.90	7.90
1978.....	6.010	1.090	7.10	1.00	8.10
1979-80.....	6.045	1.055	7.10	1.00	8.10
1981.....	5.700	1.200	7.90	1.30	9.20
1982-84.....	6.850	1.200	8.05	1.30	9.35
1985.....	7.100	1.350	8.45	1.30	9.75
1986-89.....	7.100	1.350	8.45	1.45	9.90
1990 and after.....	7.650	1.650	9.30	1.45	10.75

¹ By allocation in the law.

The Senate amendment changed these provisions to finance the social security system as modified by the Senate amendment. The tax rates in the Senate amendment are shown in table 2.

TABLE 2.—SOCIAL SECURITY TAX RATES—SENATE-PASSED BILL
(In percent)

Calendar year	OASI ¹	DI ¹	OASDI	HI	Total
Employees and employers, each					
1977.....	4.375	0.575	4.95	0.90	5.85
1978.....	4.275	.775	5.05	1.00	6.05
1979-80.....	4.335	.750	5.085	1.05	6.135
1981.....	4.525	.825	5.35	1.25	6.60
1982-84.....	4.575	.825	5.40	1.25	6.65
1985.....	4.750	.950	5.70	1.35	7.05
1986-89.....	4.750	.950	5.70	1.40	7.10
1990-94.....	5.100	1.050	6.15	1.40	7.55
1995-2000.....	5.500	1.200	6.70	1.40	8.10
2000-10.....	5.950	1.350	7.30	1.40	8.70
2011 and after.....	6.300	1.500	7.80	1.40	9.20
Self-employed					
1977.....	6.185	0.815	7.0	0.90	7.90
1978.....	6.010	1.090	7.10	1.00	8.10
1979-80.....	6.010	1.040	7.05	1.05	8.10
1981.....	6.7625	1.2375	8.00	1.25	9.25
1982-84.....	6.7625	1.2375	8.00	1.25	9.25
1985.....	7.125	1.425	8.55	1.35	9.90
1986-89.....	7.125	1.425	8.55	1.40	9.95
1990-94.....	7.675	1.575	9.25	1.40	10.65
1995-2000.....	8.250	1.800	10.05	1.40	11.45
2001-10.....	8.925	2.025	10.95	1.40	12.35
2011 and after.....	9.950	2.250	11.70	1.40	13.10

¹ By allocation in law.

The House recedes with an amendment providing a new schedule of taxes to finance the system as modified by the conference agreement. The tax rates in the conference agreement are shown in table 3.

TABLE 3.—SOCIAL SECURITY TAX RATES
(In percent)

Calendar year	OASI ¹	DI ¹	OASDI	HI	Total
Employees and employers, each					
1977.....	4.375	0.575	4.95	0.90	5.85
1978.....	4.275	.775	5.05	1.00	6.05
1979-80.....	4.330	.750	5.08	1.05	6.13
1981.....	4.525	.825	5.35	1.30	6.65
1982-84.....	4.575	.825	5.40	1.30	6.70
1985.....	4.750	.950	5.70	1.35	7.05
1986-89.....	4.750	.950	5.70	1.45	7.15
1990 and later.....	5.100	1.100	6.20	1.45	7.65
Self-employed					
1977.....	6.1850	0.8150	7.00	0.90	7.90
1978.....	6.010	1.090	7.10	1.00	8.10
1979-80.....	6.0100	1.0400	7.05	1.05	8.10
1981.....	6.7625	1.2375	8.00	1.30	9.30
1982-84.....	6.8125	1.2375	8.05	1.30	9.35
1985.....	7.1250	1.4250	8.55	1.35	9.90
1986-89.....	7.1250	1.4250	8.55	1.45	10.00
1990 and later.....	7.6500	1.6500	9.30	1.45	10.75

¹ By allocation in law.

ALLOCATION TO DISABILITY INSURANCE TRUST FUND

The House bill would increase allocation to the disability insurance trust fund beginning in 1978. (See table 1 above.)

The Senate amendment would also increase allocation to the disability insurance trust fund beginning in 1978. (See table 2 above.)

The conference agreement modifies the allocation rates to finance the disability insurance program. (See table 3 above.)

CONTRIBUTION AND BENEFIT BASE

The House bill provided for 4 ad hoc increases in the contribution and benefit base for employees, employers, and the self-employed in 1978, 1979, 1980, and 1981. After 1981 the base would be automatically adjusted to keep up with average wage levels in the same way the present-law base is adjusted.

The Senate amendment provided for 4 ad hoc increases in the contribution and benefit base for employees and the self-employed of \$600 each, above the level that would prevail under present law, in 1979, 1981, 1983, and 1985. After 1985, the base would be automatically adjusted to keep up with average wage levels.

The Senate amendment also provided for increasing the taxable earnings base for employers to \$50,000 for 1979-84 and to \$75,000 beginning in 1985. The base would remain at that level until the employee base reached that level, after which time both would be automatically adjusted.

The conference agreement follows the House bill except that no increase in the contribution and benefit base (over present law) is provided in 1978. Table 4 below shows the base for employers and employees under the House and Senate bills and the conference agreement. (Amounts shown under the Senate bill depend, in part, on automatic adjustments and are, therefore, estimates.)

TABLE 4.—CONTRIBUTION AND BENEFIT BASE

Calendar year	House-passed bill	Senate-passed bill		Conference agreement
		Employee, self-employed	Employer	
1978.....	\$19,900	\$17,700	\$17,700	\$17,700
1979.....	22,900	19,500	50,000	22,900
1980.....	25,900	21,000	50,000	25,900
1981.....	29,700	23,100	50,000	29,700
1982.....	(1)	(2)	(3)	(1)

¹ Automatic thereafter.

² Employee base, including \$600 increases in 1983 and 1985, estimated to rise to \$24,600 for 1982, \$26,700 for 1983, \$28,200 for 1984, \$30,300 for 1985, with automatic increases (as under present law) thereafter.

³ Remains at \$50,000 through 1984; increases to \$75,000 in 1985 and remains at \$75,000 until employee base reaches \$75,000.

Railroad Retirement tier-II.—Under the House bill, the tax base for tier-II of the Railroad Retirement Act for both benefits and tax purposes would be the same as under the automatic-increase provisions of the present law and would not be affected by increases in the social security taxable wage base contained in the bill. Under the Senate amendment the tax base for tier-II of the Railroad Retirement Act would not be affected but the amount of earnings used for computing the tier-II benefit would be the base used for social security benefits under the amended law.

The Senate recedes.

Pension Benefit Guaranty Corporation (PBGC).—The House bill provided that the pension insurance administered by PBGC would not be affected by the ad hoc increases in the wage base under social security. The insured pension amount would increase as it would under automatic-increase provisions of present law.

The Senate bill contained no similar provision.

The Senate recedes.

STANDBY GUARANTEE OF TRUST FUND LEVELS

The House bill provided standby authority for automatic loans to the OASDI trust funds from Federal general revenues whenever the assets of a cash benefits trust fund at the end of a calendar year amount to less than 25 percent of the outgo from the fund in the calendar year. The amount of the loan would be equal to the difference between the year-end balance in the fund and 27½ percent of the year's outgo.

Such loans would automatically be repaid with interest when assets at the end of a year exceeded 30 percent of the year's outgo from the fund. To provide for automatic repayment, there would be temporary social security tax-rate increases of 0.1 percent for employees and employers, each, and 0.15 percent for the self-employed, if at the end of any year after the year the loan was made the reserve level is less than 35 percent and the loan debt exceeds \$2 billion. This temporary tax rate increase would go into effect one year later.

The standby loan authority would not be applicable for the HI trust fund.

The Senate amendment contained no such provision.

The House recedes.

REDUCTION IN TAXES FOR CERTAIN EMPLOYERS

The Senate amendment would limit State and local governmental and 501(c)(3) nonprofit employers' social security liability for 1979 to the liability that would be incurred for 1979 under the provisions of present law. For 1980 and after, such an employer's liability (in dollars) would generally be 90 percent of the liability under the law as amended by the bill, but not less than the 1979 liability. In no case would the provision require an increase in liability as compared with the regular provisions applicable to other employers. An authorization for appropriations from general revenues is provided to make up the loss of social security revenue to the trust funds that would result from enactment of the provision.

The House bill contained no such provision.

The Senate recedes.

MODIFICATION OF BENEFIT FORMULA

Both the Senate amendment and the House bill provided for basic changes in the computation of social security benefits for workers reaching age 62 after 1978. Although the provisions of the two bills were very similar, there were differences, described below:

BENEFIT FORMULAS

The House bill provided for a benefit formula producing benefit amounts roughly 5 percent lower than estimated present-law benefits at implementation (January 1, 1979). The formula for relating maximum family benefits to primary insurance amounts (PIA's) has a similar effect.

The Senate amendment benefit formula produced benefit amounts roughly equivalent to 1976 levels—about 2½ percent lower than estimated present-law benefits at implementation. The formula for relating maximum family benefits to PIA's had a similar effect.

The Senate recedes.

TRANSITIONAL PERIOD

The House bill provided a 10-year guarantee of benefit amounts based on the benefit table as of December 1978 in retirement cases.

The Senate amendment provided a 5-year guarantee in retirement cases.

The House recedes.

MINIMUM BENEFIT

Under the House bill, the December 1978 minimum benefit rounded to the next higher dollar (estimated to be about \$121) would have been frozen for new beneficiaries. The minimum would have been increased in line with CPI increases only after a worker reached age 62, became disabled, or died.

The Senate amendment was similar except that it would have increased the minimum by CPI increases beginning with the year in which the individual (a worker, his widow, or child) actually became entitled to benefits, rather than from the point at which the worker reached age 62 became disabled, or died.

The House recedes with an amendment under which CPI increases for a worker or aged widow or widower generally would not begin to apply until the earlier of: (a) the first year the worker or aged widow (widower) was paid part or all of the benefits to which he was entitled for that year, after application of the retirement test; (b) the year of attainment of age 65.

SPECIAL MINIMUM

The House bill provided for an increase in the special minimum benefit up to a maximum of \$230 a month for a worker (\$345 for a couple) with 30 years of coverage under social security. The special minimum is calculated by multiplying \$9 (\$11.50 under the House bill) times the number of years of coverage (years in which earnings were at least 25% of the contribution and benefit base) in excess of 10 and up to 30—for a maximum multiplier of 20. Years of coverage would be based on the base as increased automatically by rises in average wages (without ad hoc increases as a result of H.R. 9346). Special minimum benefits would be increased automatically by CPI increases in the future.

The Senate amendment contained no such provision.

The Senate recedes.

DELAYED RETIREMENT CREDIT

The House bill provided for an increase in the delayed retirement credit to one-fourth of 1 percent for each month (3 percent per year) for which a worker does not receive a benefit between ages 65 and 72, for persons attaining age 62 after 1978.

The Senate amendment contained no such provision.

The Senate recedes.

DELAYED RETIREMENT CREDIT FOR WIDOWS AND WIDOWERS

The Senate amendment included a provision which would make the delayed retirement credit applicable to widow's and widower's insurance benefits, as well as to the worker's benefit.

The House bill contained no such provision.

The House recedes with an amendment making the change effective with June 1978.

LIBERALIZATION OF THE EARNINGS TEST

The House bill increased the exempt amount under the earnings test for beneficiaries age 65 and over to: \$4,000 in 1978; \$4,500 in 1979; \$5,000 in 1980; and \$5,500 in 1981.

The Senate amendment increased the exempt amount to \$4,500 in 1978 and \$6,000 in 1979 for all beneficiaries.

The Senate recedes adopting the exempt amounts in the House bill and increasing the exempt amount to \$6,000 in 1982. These increases would apply only to beneficiaries age 65 and over.

AGE AT WHICH EARNINGS TEST NO LONGER APPLIES

The House bill lowered the age at which the retirement test no longer applies from age 72 to age 65 in 1982.

The Senate amendment lowered the age at which the retirement test no longer applies from age 72 to age 70 in 1982.

The House recedes.

LIBERALIZATION OF THE FOREIGN WORK TEST

The House bill provided for payment of benefits for any month in which a beneficiary engaged in noncovered work outside the United States worked 8 or fewer days in 1978, and 11 or fewer days in 1979 and thereafter.

The Senate amendment contained no such provision.

The House recedes.

STUDIES OF MANDATORY COVERAGE

The House bill required joint studies by the Office of Management and Budget, the Civil Service Commission, the Department of the Treasury, and the Department of Health, Education and Welfare of mandatory coverage for Federal and State and local employees with reports and recommendations to the President and Congress within 2 years of enactment.

The Senate amendment contained no such provision.

The Senate recedes with amendments which would combine the studies of mandatory coverage of employees of Federal, State, and local governments and nonprofit organizations; would require the Secretary of Health, Education, and Welfare to conduct the study with appropriate consultation with Treasury, the Office of Management and Budget, and the Civil Service Commission.

The managers anticipate that the study will include, in addition to the evaluation of alternative proposals, examination of the following specific items: (1) Analysis of any possible constitutional questions involved in extensions of coverage; (2) review of the extent of State, local and nonprofit coverage under existing law; (3) analysis of the economic impact on State and local governments of mandatory coverage extensions; and (4) an analysis of the feasibility of developing a method of covering Federal employees without increasing their contributions or adversely affecting their benefit rights (except to the extent that any windfall benefit situations may be eliminated).

COVERAGE OF NONPROFIT ORGANIZATIONS

The Senate amendment included provisions to: (1) forgive through June 30, 1977, the social security tax liability of nonprofit organizations that stopped paying social security taxes before October 19, 1976, because they had not filed the proper certificate with the Internal Revenue Service to cover their employees under social security; (2) extend the deadline for filing waiver certificates for organizations that obtained refunds prior to September 9, 1976; (3) permit nonprofit organizations that paid social security taxes while waiting for the Internal Revenue Service to approve their request for tax-exempt status to receive a refund of those taxes in spite of P.L. 94-563 under which the taxes and social security coverage that resulted were validated; and (4) not require nonprofit organizations that received a refund of social security taxes for April-June 1973, to bring their employees under social security coverage.

The House bill contained no such provisions. (The Ways and Means Committee had reported a bill, H.R. 8490, that contained similar provisions.)

The House recedes with technical clarifying amendments.

LIMITED PARTNERSHIP INCOME

The House bill excluded from coverage the distributive share of income or loss received by a limited partner.

The Senate amendment contained no such provision.

The Senate recedes.

EMPLOYEES OF MEMBERS OF RELATED GROUPS OF CORPORATIONS

The Senate amendment provided that a group of corporations concurrently employing an individual would be considered as a single employer if one of the group serves as a common paymaster for the entire group. This would result in such corporations having to pay no more in social security and unemployment taxes than a single employer pays.

The House bill contains no such provision.

The House recedes with clarifying amendments.

The provision limits the aggregate amount of employment taxes due for any taxable year with respect to an individual concurrently employed by two or more related corporations and compensated through a common paymaster which is itself one of the corporations employing the individual and which would have the responsibility for making payment to the Internal Revenue Service of employment taxes due. The provision is intended to establish a maximum total liability for the related corporations (including the common paymaster) as a group but is not intended to relieve any corporation of ultimate liability for any portion of the total amount of employment taxes due. The provision is not intended to have any effect on the deductibility for Federal income tax purposes of employment taxes or wages payable by a corporation; accordingly, since the corporation for which services are performed is the only one eligible to deduct wages and employment taxes paid with respect to such services, such wages and taxes will not be deductible unless the corporation for which the services are performed reimburses the common paymaster for such payments. For purposes of determining income tax deductions allowable, the conferees expect the Secretary of the Treasury to establish procedures for allocating employment taxes among related corporations establishing a common paymaster.

EMPLOYER TAXES ON TIPS

The House bill included a provision to require employers to pay social security taxes on tips deemed to be wages under the Federal minimum wage law.

The Senate amendment contained no such provision.

The Senate recedes with the understanding that the employer will be liable for the employer social security tax on the tips that are deemed wages, regardless of the amount of the tips the employee reports under section 6053(a) of the Internal Revenue Code of 1954.

COVERAGE FOR CLERGYMEN

The House bill permitted clergymen who filed application for exemption from coverage to revoke their exemption (but only during a limited period of time).

The Senate amendment contained no such provision.

The Senate recedes.

TOTALIZATION AGREEMENT

The House bill authorized the President to enter into bilateral agreements with foreign countries to provide the limited coordination of social security systems. Each such agreement would have to be transmitted to the Congress and could not go into effect until 90 days after one House had been in session. During that period an agreement could be rejected by action of both Houses enacting legislation.

The Senate amendment included the same provision except that: Each agreement must be transmitted to Congress with a report on estimated cost and number of individuals affected; an agreement must

not be inconsistent with the provisions of title II of the Social Security Act; an agreement could not go into effect until 90 days after both Houses of Congress had been in session during which period an agreement could be rejected by action of either House.

The House recedes.

ILLINOIS POLICEMEN AND FIREMEN

The House bill included a provision which would validate earnings erroneously reported for policemen and firemen covered under the Illinois Municipal Retirement Fund.

The Senate amendment contained no such provision.

The Senate recedes with an amendment that coverage for future periods would be provided for the policemen and firemen affected.

WISCONSIN RETIREMENT FUND

The House bill provided that a special coverage provision applicable to members of the Wisconsin Retirement Fund would be applicable to any successor system of that fund.

The Senate amendment contained no such provision.

The Senate recedes.

LIMITATION ON RETROACTIVE BENEFITS

The House bill provided that benefits would not be paid retroactively for months before an application is filed, when such payment results in a permanent reduction of future monthly benefits, effective January 1, 1978.

The Senate amendment was similar to the House provision except that it was effective upon enactment, rather than on January 1, 1978.

The Senate recedes.

DELIVERY OF BENEFIT CHECKS

The House bill required that whenever the delivery date for payment of either social security or supplemental security income checks falls on a Saturday, Sunday, or legal public holiday, the checks would be mailed "and delivered" on an earlier date. Any overpayment that occurs as a direct result of the earlier delivery of checks would be waived and would not be subjected to recovery.

The Senate amendment required in such circumstances that checks be "mailed for delivery" on the earlier date and did not include the waiver of overpayment provision of the House bill.

The Senate recedes with an amendment providing that checks be "mailed for delivery" by the earlier date.

REDUCED BENEFITS FOR SPOUSES RECEIVING GOVERNMENT PENSIONS

The Senate amendment provided that social security dependents' benefits payable to spouses and surviving spouses would be reduced by the amount of any public (Federal, State, or local) retirement benefit payable to the spouse based on the spouses' own work in noncovered

public employment. The provision would have been effective with respect to benefits payable for months beginning with the month of enactment, based on applications filed in or after the month of enactment.

The House bill contained no such provision.

The House recedes with an amendment which would provide for an exception for certain people who are already receiving pensions based on noncovered public employment (or who would be eligible for such pension within 5 years of the month of enactment) and who could have expected to receive social security benefits as dependents or survivors under the social security law as in effect on January 1, 1977. The managers are concerned that there may be large numbers of women, especially widows in their late fifties, who are already drawing pensions, or would be eligible to draw them within 5 years of the date of enactment of this bill, based on their non-covered work and whose retirement income was planned for on the assumption of the availability of full wife's or widow's benefits under social security. Inclusion of this exception to the applicability of the Senate provision, reinforces its prospective nature and avoids penalizing people who are already retired, or close to retirement, from public employment and who cannot be expected to readjust their retirement plans to take account of the "offset" provision that will apply in the future.

A separability clause is included for the exception clause established by the conference agreement so that if it is found invalid the pension-offset as passed by the Senate would not be affected, and the application of the exception clause would not be broadened to include persons or circumstances that are not included within it.

REPEAL OF WORKMEN'S COMPENSATION OFFSET

The Senate amendment repealed the provision of existing law which provides for a reduction in social security disability benefits for persons simultaneously entitled to workmen's compensation payments where the combined payments would otherwise exceed 80 percent of recent predisability earnings.

The House bill contained no such provision.

The Senate recedes.

DISABILITY BENEFITS FOR BLIND PERSONS

The Senate amendment provided for paying disability insurance benefits for blind people who have at least six quarters of social security coverage. The benefits would be paid regardless of the amount of an individual's earnings both before and after age 65 or his ability to work. The Senate amendment also excluded blind persons from the requirements of present law that disability benefits be suspended for any months during which a beneficiary refuses without good cause to accept vocational rehabilitation services.

The House bill contained no such provision.

The House recedes with an amendment which strikes the provisions of the Senate amendment but provides that the amount of earn-

ings under the test of substantial gainful activity (SGA) which would terminate (or suspend for those age 55 or over) a blind individual's benefits would be increased to the monthly exempt amounts for persons 65 and over under the retirement test. The conferees are aware that this establishes a different test of SGA for blind persons than is applied administratively for persons with other disabilities. The conferees do not intend that the new SGA level established for the blind should be applied to other types of disability.

ELIMINATION OF MARRIAGE OR REMARRIAGE AS A FACTOR IN ENTITLEMENT TO, OR TERMINATION OR REDUCTION OF, BENEFITS

The House bill provided that marriage or remarriage would not bar or terminate entitlement to benefits as a divorced spouse, surviving spouse (including those caring for an entitled child), parent, or child, and remarriage would not cause any reduction in aged widow's or widower's insurance benefits.

The Senate amendment did not include such a provision.

The Senate recedes, with an amendment that would retain only that part of the House-passed provisions that would prevent reduction in benefits for widows and widowers who remarry after age 60.

DURATION-OF-MARRIAGE REQUIREMENT

The House bill provided that the length of time a person must have been married to a worker in order for benefits to be payable to the person as an aged divorced spouse or surviving divorced spouse would be reduced from 20 years to 5 years.

The Senate amendment did not include such a provision.

The Senate recedes, with an amendment which establishes a 10-year duration-of-marriage requirement.

EQUALIZATION OF TREATMENT OF MEN AND WOMEN UNDER THE PROGRAM

The House bill contained a number of amendments that were designed to eliminate certain gender-based distinctions from the social security program.

The Senate amendment did not include any such provisions.

The House recedes. It is the understanding of the managers that the entire question of such gender-based distinctions will be included in the 6-month study of proposals to eliminate dependency and sex discrimination provided by this legislation.

ANNUAL REPORTING

The House bill included provisions to simplify implementation of annual wage reporting.

The House provision changes the provisions of the Social Security Act that require the use of quarterly wage data so that only annual data would be needed—employers would no longer have to check off quarters of coverage or report quarterly wages on the forms W-2.

It excludes from the definition of wages certain employment wherein the remuneration is less than \$100 in a calendar year. State and local employers will continue to report on a quarterly basis but wages will be converted to annual figures. The provision also changes "quarter of coverage" definition so that after 1977 all workers would receive a quarter of coverage for each \$250 of wages paid in a year (to a maximum of four quarters of coverage in a year). The amounts measuring a quarter of coverage would increase automatically each year as wages increase.

The Senate amendment contained no such provisions.

The Senate recedes.

NATIONAL COMMISSION ON SOCIAL SECURITY

The House bill provided for a nine-member National Commission on the Social Security Program, appointed by the executive and legislative branches, to conduct a 2-year study including: The fiscal status and adequacy of the trust funds; the scope of coverage, adequacy of benefits, conditions of qualification for benefits (including inequities arising out of marital status, sex, or similar classifications or categories), and quality of administration; the impact of the programs on and relation to public assistance programs, nongovernmental pension insurance programs, other governmental retirement and annuity programs, medical service delivery systems and national employment practices; and alternatives to current programs including, phasing out payroll tax, using general revenues or other financing, mandatory participation in private insurance programs and choice of public or private programs or both.

The Senate amendment did not include a provision comparable to the House provision.

The Senate recedes with an amendment which requires the National Commission to study the need to develop a special CPI for the elderly for purposes of social security cost-of-living increases.

ADMINISTRATIVE LAW JUDGES (HEARING EXAMINERS)

The Senate amendment converted the temporary administrative law judges established by Public Law 94-202 to permanent status under the Administrative Procedure Act.

The House bill contained no such provision, but the Ways and Means Committee has reported H.R. 5723 which contains identical language.

The House recedes.

ADVISORY COUNCIL ON SOCIAL SECURITY

The Senate amendment provided that the Advisory Council on Social Security to be appointed by December 31, 1977, would have an additional 9 months in which to submit its reports. The reports would be due October 1, 1979, rather than January 1, 1979.

The House bill contained no such provision.

The House recedes.

SEMIANNUAL COST-OF-LIVING INCREASES

The Senate amendment provided for semiannual cost-of-living increases in social security and SSI benefits whenever the CPI increased by at least 4 percent over a specified 6-month measuring period (an annual rate of over 8 percent per year).

The House bill contains no such provision.

The Senate recedes.

FISCAL RELIEF FOR WELFARE COSTS

The Senate amendment provided for a one-time payment to the States of \$374 million as fiscal relief for State and local welfare costs for fiscal year 1978. Half of such funds would be distributed to each State in proportion to its share of total expenditures under the AFDC program for December 1976, and half would be distributed under the general revenue sharing formula. In those States in which local units of Government are responsible for meeting part of the costs of the AFDC program the fiscal relief payments would have to be passed through to local governments. States would not be required to pass through an amount in excess of 90 percent of the amount of AFDC costs for which the local government was otherwise responsible.

The House bill contained no such provision.

The House recedes with the following amendments. The amount of the one-time payment would be one-half of the amount in the Senate bill, that is, \$187 million. Also States would be required to pass through to local jurisdictions the full amount of the payment but not more than 100 percent of the amount of the AFDC costs for which the local government was otherwise responsible.

FISCAL INCENTIVES FOR LOWERING AFDC ERROR RATES

The Senate amendment established a system of fiscal incentives for States which have low dollar error rates (below 4 percent) as measured by the AFDC quality control findings of excess payments.

Under the amendment States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs of 4-percent payment error rate. This percentage would increase proportionately as shown in the following table:

If the error rate is:	Incentive Percentage ¹
At least 3.5 percent but less than 4 percent.....	10
At least 3 percent but less than 3.5 percent.....	20
At least 2.5 percent but less than 3 percent.....	30
At least 2 percent but less than 2.5 percent.....	40
Less than 2 percent.....	50

¹ The State will retain this percent of the imputed Federal savings.

The House bill contained no such provision.

The House recedes with an amendment which provides that the dollar error rate of aid will include the payments to ineligible plus overpayments plus underpayments plus the amount which would have

been paid as benefits if the case had not been erroneously terminated or the application erroneously denied. The incentive would be based on Federal savings as compared with a 4-percent rate of excessive payments—that is, erroneous payments for ineligible and overpayments.

ACCESS BY AFDC AGENCIES TO WAGE RECORDS

The Senate amendment specifically authorized State AFDC agencies to obtain wage information from the wage records maintained by the Social Security Administration and the wage records maintained by State unemployment compensation agencies for purposes of determining eligibility for (or amount of) AFDC. The Secretary of HEW would establish the necessary safeguards to prevent the improper use of such information. Effective October 1, 1979, States would be required to request and make use of this wage information either from the State unemployment compensation agency (if available there) or from the Social Security Administration.

The House recedes.

STATE WELFARE DEMONSTRATION PROJECTS

The Senate amendment would authorize certain types of State demonstration projects related to the AFDC program to be implemented if the Secretary did not specifically disapprove the implementation of such projects within forty-five days after the State applies to have the projects approved. In other words, a State could proceed with such projects either when the Secretary approved them, or forty-five days after submitting them to the Secretary if no decision had been reached by HEW within that period.

Under this authority, States would be permitted to conduct not more than three demonstration projects but not more than one on a Statewide basis. Projects involving public service employment would have to meet reasonable standards related to health, safety and other conditions, could not displace employed workers, would have to be reasonable for the individuals participating, and would have to provide appropriate workmen's compensation protection. Participation in any project by any AFDC recipient would have to be on a voluntary basis.

States would be permitted to waive ordinary statutory rules requiring statewide uniformity, administration by a single agency, and regarding participation in the work incentive program and the disregard of certain amounts of earned income. (Not more than half of all income could be disregarded under the waiver authority, however.)

AFDC matching for these demonstration projects would be limited to the amount the State would have received through AFDC if it had not implemented the demonstration project. In addition the State's general revenue sharing funds could be used to cover the costs of salaries for participants in public service employment which are not covered by AFDC matching.

Once implemented, demonstration projects could continue for up to 2 years unless the Secretary took action to disapprove a State waiver

of statutory rules before the end of the 2-year period. The provision would not apply after September 30, 1980.

The House bill contained no such provisions.

The House recedes with an amendment. The conference agreement provides that when a State submits an application it would be required to make a public announcement that such application has been made, make copies of the application available and receive public comments for at least 30 days. The Secretary would also be required to publish a summary of the proposed demonstration project and make copies of the application available. He would receive public comments for at least 30 days after publication of a summary of the proposed project (even if the application is approved prior to the 30-day period).

The Secretary of HEW could deny applications by a State under this provision any time after receipt of the application, but could not approve an application until 30 days after it has been submitted.

A State would be authorized to proceed with projects submitted under this new authority 60 days, instead of 45 days under the Senate amendment, after the project application is submitted to HEW unless there is a specific disapproval by HEW.

The conference agreement also requires that when AFDC funds are used to pay wages of participants in such projects that the prevailing wage must be paid.

AFDC EARNED INCOME DISREGARD

The Senate amendment changed the earned income disregard so as to require States to disregard the first \$60 earned monthly by an individual working full-time (\$30 in the case of an individual working part-time), plus one-third of the next \$300 earned, plus one-fifth of the remainder. Child care expenses would be subject to limitations by the Secretary and would be deducted before computing an individual's earned income. Other work expenses would not be deducted.

The House bill contained no such provisions.

The Senate recedes.

ERRONEOUS STATE SUPPLEMENTARY PAYMENTS

The Senate amendment provided authorization and direction for the Secretary of Health, Education, and Welfare to reimburse a State for erroneous State supplementary payments administered by them and paid during 1974 to the extent that an HEW audit determines is appropriate on the basis that the incorrect payments for the aged, blind, and disabled resulted from a State's good faith reliance upon erroneous or incomplete information furnished to the States by the Department or from a State's good faith reliance on incorrect supplemental security income payments made by the Department.

The House bill contains no such provision.

The House recedes with an amendment. The conference agreement provides that the Secretary of HEW would rely on findings of an audit by HEW which has been reviewed and concurred in by the Inspector General of the Department to determine the extent of payments under this provision.

VETERANS' PENSION AND COMPENSATION

The Senate amendment provided that the amount of any social security benefits resulting from a cost-of-living increase will not be used to reduce veterans' pension and compensation.

The House bill contained no such provision.

The Senate recedes.

MEDICARE COVERAGE OF DEVICES SERVING THE SAME PURPOSE AS A WHEELCHAIR

The Senate amendment expands the definition of durable medical equipment under the medicare supplementary medical insurance program to include specialized transportation vehicles (such as the *Amigo* wheelchair) designed to "serve the same or similar purpose as that performed by a wheelchair."

The House bill contains no such provision.

The House recedes with an amendment which expands the definition of durable medical equipment to include a power-operated vehicle that may be appropriately used as a wheelchair where such vehicle is determined to be medically necessary and meets safety requirements prescribed by the Secretary.

FEDERAL ELECTION CAMPAIGN ACT AMENDMENT

The Senate amendment provided that a contribution to a tax-exempt organization selected by the payor from a list of five or more organizations named by the government officer or employee would not be treated as an honorarium. It also provided that amounts returned to a payor before the end of the calendar year would not be treated as honorariums. The amendment further provided that honorariums would be treated as accepted in the year of receipt.

The House bill contained no such provision.

The House recedes.

COLLEGE TUITION TAX RELIEF

The Senate amendment modified the Internal Revenue Code to provide an income tax credit for educational expenses (tuition, fees, books, and equipment, but not meals, lodging, nor other living expenses) paid by the taxpayer for the taxpayer or the taxpayer's spouse or dependents to an institution of higher education or a vocational school. The amount of the credit would be limited each year to not more than \$250 per student. The credit would apply to expenses paid in taxable years beginning after December 31, 1977; for 1978 only, it would be refundable. The student must be a full-time student working toward a baccalaureate degree or a certificate of required course work at a vocational school. Expenses eligible for the credit would be reduced

by tax-exempt scholarship or fellowship grants and by certain educational assistance allowances and education and training allowances.

The House bill contained no such provision.

The Senate recedes.

RUSSELL B. LONG,
ABRAHAM RIBICOFF,
GAYLORD NELSON,
W. D. HATHAWAY,
DANIEL MOYNIHAN,
CARL T. CURTIS,
BILL ROTH,
JOHN C. DANFORTH,

Managers on the Part of the Senate.

AL ULLMAN,
JAMES A. BURKE,
DAN ROSTENKOWSKI,
JOE D. WAGGONER, Jr.,
WILLIAM R. COTTER,
ABNER J. MIKVA,
JIM GUY TUCKER,

Managers on the Part of the House.

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dependency and sex discrimination from the social security program, and for other purposes, having met, after full and free conference, have agreed to recommend and do recommend to their respective Houses this report, signed by a majority of the conferees.

The ACTING PRESIDENT pro tempore. Without objection the Senate will proceed to the consideration of the conference report.

Mr. LONG. Mr. President, the conference on the social security bill has reached an agreement which makes significant improvements in the financial soundness of the social security program.

In dealing with the social security provisions of the bill the conferees reached a reasonable compromise between the Senate and House provisions. The main objective of both Senate and House bills was to restore the program to a condition where there will be adequate funding to cover benefit costs for many years into the future, and the bill agreed to by the conferees accomplishes this objective. Both Senate and House bills also included a number of changes in the benefit structure in the program, some of which saved money and some of which would have resulted in increased expenditures. Here, too, the conference agreement represents a compromise between the two positions which has preserved most of the savings and which also includes those benefit improvements which were of highest priority. In particular, the conference agreement will substantially increase the amount of earnings and will reduce to age 70 starting in 1982 the age at which unlimited earnings are permitted.

The Senate bill also included a few provisions designed to improve the operation of our welfare programs and to provide a measure of fiscal relief for State and local welfare costs. Most of these provisions were agreed to with some changes by the House conferees. In the case of the fiscal relief provision, however, the House conferees were unwilling to accept the full amount of \$374 million proposed by the Senate at this time, but did agree to a provision which provides half of that amount. The

House conferees also adamantly refused to accept a provision which the Senate has passed on several occasions relating to the earned income disregard under the aid to families with dependent children program. This provision, as well as the full amount of the fiscal relief provision, is included in the bill H.R. 7200, which is on the Senate calendar. It is my hope that we will be able to have the Senate act on that bill early next year so that these issues, together with the other items in that bill, can be brought to conference again in the very near future.

The Senate social security bill also included another major provision which the Senate has passed on other occasions providing for a college tuition tax credit. As has happened in the past, the House conferees were completely adamant in their refusal to even consider this proposal. In order to obtain agreement on the social security bill the sponsor of that amendment and the other conferees finally had to agree to drop it from the bill. I would like to make clear, however, that this issue is going to be acted upon again in the very near future and that we will be in conference with the House on it once more to discuss it.

Mr. President, I ask unanimous consent that there be printed at the end of my statement a more detailed summary of the provisions of the social security bill as agreed to by the conferees.

There being no objection, the summary was ordered to be printed in the RECORD, as follows:

SUMMARY OF THE CONFERENCE AGREEMENT ON H.R. 9346, THE SOCIAL SECURITY AMENDMENTS OF 1977

Financing.—The bill includes a schedule of social security tax rate increases over present law in 1979, 1981, 1982 and 1990 to provide additional financing. Tax rates for the self-employed would be adjusted to restore the original level of one and one-half times the employee rate for the old-age and survivors and disability portion of the tax, effective in 1981. There would be a reallocation of income to the disability trust fund which would have been exhausted in about a year under present law. The tax rate schedule is as follows:

TAX RATES FOR THE SOCIAL SECURITY TRUST FUNDS

(in percent)

Calendar year	Present law					Conference report on H.R. 9346				
	OASI	DI	OASDI	HI	Total	OASDI	DI	OASDI	HI	Total
EMPLOYERS AND EMPLOYEES, EACH										
1977	4.375	0.575	4.95	0.90	5.85	4.375	0.575	4.95	0.90	5.85
1978	4.350	.600	4.95	1.10	6.05	4.275	.775	5.05	1.00	6.05
1979-80	4.350	.600	4.95	1.10	6.05	4.330	.750	5.08	1.05	6.13
1981	4.300	.650	4.95	1.35	6.30	4.525	.825	5.35	1.30	6.65
1982-84	4.300	.650	4.95	1.35	6.30	4.575	.825	5.40	1.30	6.70
1985	4.300	.650	4.95	1.35	6.30	4.750	.950	5.70	1.35	7.05
1986-89	4.250	.700	4.95	1.50	5.45	4.750	.950	5.70	1.45	7.15
1990-2010	4.250	.700	4.95	1.50	5.45	5.100	1.100	6.20	1.45	7.65
2011 and later	5.100	.850	5.95	1.50	7.45	5.100	1.100	6.20	1.45	7.65
SELF-EMPLOYED PERSONS										
1977	6.185	0.815	7.0	0.90	7.9	6.1850	0.8150	7.0	0.90	7.9
1978	6.150	.850	7.0	1.10	8.1	6.1000	1.0000	7.1	1.00	8.1
1979-80	6.150	.850	7.0	1.10	8.1	6.0100	1.0400	7.05	1.05	8.1
1981	6.080	.920	7.0	1.35	8.35	6.7625	1.2375	8.00	1.30	9.30
1982-84	6.080	.920	7.0	1.35	8.35	6.8125	1.2375	8.05	1.30	9.35
1985	6.010	.990	7.0	1.5	8.5	7.1250	1.4250	8.55	1.35	9.90
1986-89	6.010	.990	7.0	1.5	8.5	7.1250	1.4250	8.55	1.45	10.00
1990-2010	6.010	.990	7.0	1.5	8.5	7.6500	1.6500	9.30	1.45	10.75
2011 and later	6.000	1.000	7.0	1.5	8.5	7.6500	1.6500	9.30	1.45	10.75

There also would be increases in the taxable wage base above present law in 1979, 1980, and 1981. After 1981, the base would be increased annually in line with wage levels as under present law. Under the Conference agreement, as under present law, the tax base would be the same for employers, employees, and self-employed. This is the new taxable base schedule for employers, employees and the self-employed:

Contribution and benefit base

Calendar year:	Under present law	Under conference agreement
1977 -----	\$16,500	\$16,500
1978 -----	17,700	17,700
1979 -----	18,900	22,900
1980 -----	20,400	25,900
1981 -----	21,900	29,700
1982 -----	23,400	31,800
1983 -----	24,900	33,900
1984 -----	26,400	38,000
1985 -----	27,900	38,100
1986 -----	29,400	40,200
1987 -----	31,200	42,000

¹ Estimated amount under automatic provisions.

Decoupling and new wage-indexed formula.—The conference agreement provides that the automatic cost-of-living increase provisions will in the future apply only to those already on the benefit rolls at the time of each increase. (Under present law, the increases raise the benefit formula for future retirees as well as those on the rolls.) For future retirees, the agreement adopts a new benefit formula under which benefit amounts would be related to the earnings each individual had under social security with an adjustment to reflect changing levels during his working years. The new system would index a worker's earnings to reflect annual increases in average earnings levels up to the second year before eligibility (age 62, death, or disability). The benefit level adopted for the long-term is 5 percent below estimated 1979 levels under present law. Included in the bill is a 5-year guarantee that retirement benefits will not be less than 1979 levels to provide a gradual transition to the new system for workers who will retire from 1979 through 1983. The transition provision will not be applicable to disability and survivor cases. As under present law, benefits would continue to be increased according to the increases in the cost-of-living after a person reaches age 62 or becomes disabled, or in the case of survivor's benefits, after the time of the worker's death.

Minimum.—The present minimum benefit for future beneficiaries would be frozen at its 1979 dollar amount (about \$121 for an individual). The minimum benefit would be adjusted for annual cost-of-living increases only after the individual starts receiving it.

Special minimum.—This benefit, provided for long-term, low-paid workers, would be increased. Under present law this benefit is equal to \$9 times the number of years coverage a worker has in excess of 10 and up to 30; this benefit is not subject to annual cost-of-living increases. The bill would increase the \$9 figure to \$11.50, which would provide a maximum payment of \$230 a month, and would make the benefit subject to annual cost-of-living increases in the future.

Delayed retirement credit.—Present law provides that retirement benefits are increased 1 percent a year for each year that a worker continues to work beyond age 65 without taking his benefits. The bill would

increase this to 3 percent; it would apply beginning in 1982.

Limitation on retroactive benefits.—Under present law a person who files an application after he is first eligible can get benefits for a retroactive period up to 12 months before the month in which the application is filed. However, this can result in some cases in a permanent reduction in his monthly benefit. The bill would eliminate retroactive payments where the result would be a permanently reduced benefit.

Cost-of-living increases for early retirees.—Under present law, a retiree who begins receiving benefits between ages 62 and 65 has his monthly payment permanently reduced on an actuarial basis to take account of the longer period that he will receive benefits. However, when a subsequent cost-of-living increase is effective, the benefit increase is based on his full (unreduced) benefit. The bill would apply to cost-of-living increases the same actuarial reduction that was applied to their original monthly benefit.

Retirement test.—The bill would raise to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981 and \$6,000 in 1982 the annual amount of earnings a beneficiary age 65 to 72, may have without having any benefits withheld. After 1982, the limitation would be adjusted automatically on the basis of earnings levels as under present law. The retirement test of present law, which is to rise from \$3,000 this year to \$3,240 in 1978, would continue to apply to beneficiaries under age 65.

The exempt age, which fixes the point at which elderly individuals may receive full benefits without regard to their earnings, would be reduced from 72 to 70 beginning in 1982.

The bill would eliminate the monthly exception to the retirement test—the provision in present law under which full social security benefits are paid for any month in which a person earns one-twelfth of the annual retirement test amount, or less, regardless of total earnings for the year. However, the monthly measure would be retained for the first year in which a worker begins to receive retirement benefits.

Remarried widows.—Under existing law, a widow may receive a social security benefit on her deceased husband's account equal to 100 percent of the benefit he would have received if he were still alive. If the widow remarries and she is age 60 or over when she remarries, she can retain the widow's benefit but at a 50 percent rate instead of 100 percent. The conference agreement would eliminate that reduction to a 50 percent rate when a widow over age 60 remarries.

Divorced wife's benefits.—Under present law a woman can qualify for a wife's benefit on the account of her former husband (or a surviving divorced wife's benefit on the account of a deceased former husband) but only if the marriage lasted at least 20 years. The conference agreement would lower the required duration of marriage to 10 years.

Reduction in spouses' benefits for public pensions.—The bill contains a provision under which social security dependency benefits payable to spouses or surviving spouses would be reduced by the amount of any public (Federal, State, or local) retirement available to the spouse. The reduction would apply only to pension payments based on the spouse's own work in public employment which is not covered under social security. The provision would apply to applications for such dependency benefits in and after the month of the enactment of the bill. To assure that persons who have been counting on these benefits for many years and who are now at or near retirement age will not be adversely affected, the conference agreement includes a transitional exception under which certain individuals will not have their

social security benefits as spouses reduced by the amount of their public pension. The exemption applies to those who are already retired under a public pension program (or who will be eligible for such retirement within the next five years) and who also would qualify for spouses benefits under social security under the law as in effect and as administered in January 1977. In the event the courts find it impermissible to afford this protection to those who anticipated receiving their spouses benefits prior to March 1977 without providing it also to those who would qualify only as a result of a March 1977 court decision, the bill provides that the entire exception would become inoperative so that the reduction in benefits would be applied in all cases.

Treatment of men and women.—The Conference agreement directs the Secretary of Health, Education and Welfare, in consultation with the Justice Department Task Force on Sex Discrimination, to carry out a detailed study of proposals: (1) to eliminate dependency as a requirement for entitlement to social security spouse's benefits, and (2) to bring about the equal treatment of men and women in any and all respects. In conducting this study the Secretary shall take into account the effects of the changing role of women in today's society including such things as: (1) changes in the nature and extent of women's participation in the labor force, (2) the increasing divorce rate, and (3) the economic value of women's work in the home. The study shall include appropriate cost analyses. A full and complete report shall be submitted by the Secretary to the Congress within 6 months after enactment of the bill.

National Commission on Social Security.—The bill provides for establishment of a bipartisan National Commission on Social Security, composed of nine members—five appointed by the President and two each by the Speaker of the House and the President of the Senate—to make a broad study of the social security program including Medicare. The study would include the fiscal status of the trust funds, coverage, adequacy of benefits, possible inequities, alternatives to the current programs and to the method of financing the system, integration of the social security system with private retirement programs, and development of a special price index for the elderly. The Commission would present its full report to the President and to the Congress within 2 years after a majority of the members were appointed.

Coverage study.—The bill provides for a comprehensive study of the question of expanding coverage under social security by bringing under the system all Federal employees and the remainder of State and local government employees and employees of nonprofit organizations not now covered. The study would include methods of coordinating social security coverage with retirement systems which now apply to the public employees involved. The study would be under the direction of the Secretary of Health, Education, and Welfare who would consult with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Chairman of the Civil Service Commission. The HEW Secretary is directed to complete the study and submit a report with recommendations to the President and to Congress within 2 years after enactment of the bill.

International Social Security Agreements (Totalization).—Included in the bill is a provision which would authorize the President to enter into bilateral agreements with interested countries providing for limited coordination of the U.S. social security system with systems of other countries. The agreements, known as totalization agreements, would eliminate dual social security coverage for the same work in each country covered

by an agreement, and would enable individuals who work for periods in each of the countries covered by an agreement to qualify for coordinated benefits in situations where they now are not eligible for benefits in one or both of the countries involved. The United States already has negotiated agreements with Italy and West Germany which could be put into effect under this provision. Each agreement would have to be submitted to Congress for 90 days while it is in session before it could take effect; during that period either the House or Senate could veto the agreement by majority vote.

Disability benefits for the blind.—Blind persons would be eligible for social security disability benefits up to a higher level of earnings than now permitted. Under present regulations, substantial gainful activity (SGA) is measured at \$200 a month (\$2,400 a year) and earnings over this amount would lead to termination of benefits. Under the bill, the SGA amount would be the same as the retirement test for persons age 65 and over—that is, \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, \$6,000 in 1982, and adjusted automatically by increases in earnings levels thereafter. The SGA level for other disabled persons is not changed.

Investment income under limited partnership.—In recent years, a growing number of businesses have advertised limited partnerships as a means of acquiring social security coverage solely through the income on investments in such partnerships. The bill excludes from social security coverage the distributive share of income or loss from the trade or business of a partnership which is received by a limited partner.

Annual wage reporting.—Public Law 94-202 enacted in 1976 provided that employers would report their employees' wages for social security and income tax purposes annually on forms W-2 beginning with wages paid in 1978. But the law also required employers to report quarterly wage data on forms W-2 to enable the Social Security Administration to determine whether a worker has enough quarters of coverage to be eligible for social security benefits. The bill would change this so that annual data would be used instead of quarterly data. Under the bill, employers no longer would have to report quarterly data on forms W-2. Under present law a worker generally receives credit for a quarter of coverage for a calendar quarter in which he receives at least \$50 in wages. Under the bill, a worker would receive one quarter of coverage (up to a total of four) for each \$250 of earnings in a year, and the \$250 amount would be automatically increased every year to take account of increases in average wages.

Employees of nonprofit organizations.—The bill contains provisions designed to correct some unintended effects of Public Law 94-563 enacted in 1976 to deal with problems of nonprofit organizations that had been paying social security taxes incorrectly because they had not filed the necessary waivers with the Internal Revenue Service to make the payments legal.

One provision in the bill would forgive back taxes due, up to June 30, 1977, on behalf of nonprofit organizations which ceased paying social security taxes after they had found they were not required to do so, but did not receive a refund of these taxes.

Another provision would extend to March 31, 1978 the period during which nonprofit organizations that had received a refund of social security taxes could file a waiver certificate and list only those employees who had wanted to be covered under social security. Under this waiver, they would owe back taxes only on the listed employees. The right to file such a waiver under Public Law 94-563 expired April 18, 1977.

Taxation of corporations.—The bill provides that a group of related corporations

concurrently employing a worker would be considered as a single employer if one of the group serves as a single paymaster for the entire group. This would mean that the group of corporations would have to pay no more in social security and unemployment taxes for a single worker than a single employer pays.

Advisory Council on Social Security.—The bill would change the reporting date for the Advisory Council to be appointed in 1977 from January 1, 1979, to October 1, 1979.

Administrative law judges.—Public Law 94-202 established temporary administrative law judge positions to hear social security, medicare, and supplemental security income cases. The bill would convert these appointments to permanent status.

Benefit payment dates.—The bill provides that social security and supplemental security income benefit checks would be delivered on the preceding Friday if the regular payment date falls on a Monday which is a legal holiday. Under present regulations, checks are delivered on a Friday if the regular payment date falls on Saturday or Sunday.

Coverage of tips.—Under social security, tip income (if over \$20 a month) is taxed on the employee alone. Under the bill, the employer will be taxed on tip income up to the amount that combined with the employee's salary equals the minimum wage under the Fair Labor Standards Act.

Clergymen.—The bill would permit clergymen who previously did not elect social security coverage a second opportunity to come under the system as self-employed persons.

Mississippi policemen and firemen.—The bill would authorize social security coverage for Mississippi policemen and firemen who previously were excluded from the system.

Wisconsin public employees.—The bill would authorize a consolidated public employee group in Wisconsin to continue under social security on the same terms which applied to three groups before they were merged into the consolidated organization.

New Jersey public employees.—The bill would add New Jersey to the list of States which are permitted to hold referendums among public employees for divided coverage under social security. Those voting for coverage would be brought under social security; those voting against would remain out of the system.

Illinois police and fire chiefs.—The bill would allow approximately 400 Illinois police and fire chiefs to get credits for past payments into the social security system (and future coverage) even though the applicable law did not permit such payments when they were made.

Railroad retirement system and Pension Benefit Guaranty Corporation.—The bill contains a provision to guarantee that the new social security financing provisions that increase the taxable earnings base would not increase the employer tax liability to finance tier II benefits nor would it increase the amount of those benefits under the railroad retirement system. Tier II benefits are those paid to supplement the tier I payments which correspond to basic social security benefits. Similarly, the bill provides that the ad hoc increases in the earnings base would not increase the maximum amount of pension insured by the Pension Benefit Guaranty Corporation established under the Employee Retirement Income Security Act of 1974.

Wheelchairs.—The bill would permit payment for power-operated wheelchairs under Medicare where the vehicle is determined to be medically necessary and safe.

Fiscal relief for welfare costs.—The bill provides for a one-time payment to the States of \$187 million as fiscal relief for State and local welfare costs for fiscal year 1978. Half of such funds will be distributed

to each State in proportion to its share of total expenditures under the AFDC program for December 1976, and half will be distributed under the general revenue sharing formula. In those States in which local units of Government are responsible for meeting part of the costs of the AFDC program the fiscal relief payments would have to be passed through to local governments. States would not be required to pass through an amount in excess of 100 percent of the amount of AFDC costs for which the local government was otherwise responsible.

Fiscal incentives for lowering AFDC error rates.—The bill would establish a system of fiscal incentives for States which have low dollar error rates (below 4 percent) as measured by the AFDC quality control findings of incorrect payments.

Under the amendment States which have dollar error rates of, or reduce their dollar error rates to, less than 4 percent but not more than 3.5 percent of the total expenditures would receive 10 percent of the Federal share of the money saved, as compared with the Federal costs of 4-percent payment error rate. This percentage would increase proportionately as shown in the following table:

If the error rate is:	Incentive percentage ¹
At least 3.5 percent but less than 4 percent	10
At least 3 percent but less than 3.5 percent	20
At least 2.5 percent but less than 3 percent	30
At least 2 percent but less than 2.5 percent	40
Less than 2 percent	50

¹ The State will retain this percent of the imputed Federal savings.

The dollar error rate of aid will include the payments to ineligible plus overpayments plus underpayments plus the amount which would have been paid as benefits if the case had not been erroneously terminated or the application erroneously denied. The incentive would be based on Federal savings as compared with a 4-percent rate of excessive payments—that is, erroneous payments for ineligible and overpayments.

Access by AFDC agencies to wage records.—The bill specifically authorizes State AFDC agencies to obtain wage information from the wage records maintained by the Social Security Administration and the wage records maintained by State unemployment compensation agencies for purposes of determining eligibility for (or amount of) AFDC. The Secretary of HEW would establish the necessary safeguards to prevent the improper use of such information. Effective October 1, 1979, States would be required to request and make use of this wage information either from the State unemployment compensation agency (if available there) or from the Social Security Administration.

State welfare demonstration projects.—The bill would authorize certain types of State demonstration projects related to the AFDC program to be implemented if the Secretary did not specifically disapprove the implementation of such projects within sixty days after the State applies to have the projects approved. In other words, a State could proceed with such projects either when the Secretary approved them, or sixty days after submitting them to the Secretary if no decision had been reached by HEW within that period.

Under this authority, States would be permitted to conduct not more than three demonstration projects but not more than one on a Statewide basis. Projects involving public service employment would have to pay prevailing wages and meet reasonable standards related to health, safety and other conditions, could not displace employed workers, would have to be reasonable for the individuals participating, and would have to provide

appropriate workmen's compensation protection. Participation in any project by any AFDC recipient would have to be on a voluntary basis.

States would be permitted to waive ordinary statutory rules requiring statewide uniformity, administration by a single agency, and regarding participation in the work incentive program and the disregard of certain amounts of earned income. (Not more than half of all income could be disregarded under the waiver authority, however.)

AFDC matching for these demonstration projects would be limited to the amount the State would have received through AFDC if it had not implemented the demonstration project. In addition, the State's general revenue sharing funds could be used to cover the costs of salaries for participants in public service employment which are not covered by AFDC matching.

Once implemented, demonstration projects could continue for up to 2 years unless the Secretary took action to disapprove a State waiver of statutory rules before the end of the 2-year period. The provision would not apply after September 30, 1980.

The conference agreement provides that when a State submits an application it would be required to make a public announcement that such application has been made, make copies of the application available and receive public comments for at least 30 days. The Secretary would also be required to publish a summary of the proposed demonstration project and make copies of the application available.

The Secretary of HEW could deny applications by a State under this provision any time after receipt of the application, but could not approve an application until 30 days after it has been submitted.

Erroneous State supplementary payments.—The Conference agreement provides authorization and direction for the Secretary of Health, Education and Welfare to reimburse a State for erroneous State supplementary payments administered by them and paid during 1974 to the extent that an HEW audit (reviewed and concurred in by the Inspector General of the Department) determines is appropriate on the basis that the incorrect payments for the aged, blind and disabled resulted from a State's good faith reliance upon erroneous or incomplete information furnished to the States by the Department or from a State's good faith reliance on incorrect supplemental security income payments made by the Department.

Federal Election Campaign Act amendment.—The Conference agreement provides that a contribution to a tax-exempt organization selected by the payor from a list of five or more organizations named by the Government officer or employee would not be treated as an honorarium. It also provides that amounts returned to a payor before the end of the calendar year would not be treated as honoraria. The bill further provides that honoraria would be treated as accepted in the year of receipt.

Several Senators addressed the Chair.

The PRESIDING OFFICER (Mr. CRANSTON). The Senator from Arizona.

Mr. GOLDWATER. Mr. President, I ask for the yeas and nays on final passage of this conference report.

The PRESIDING OFFICER. Is there a sufficient second? There is a sufficient second.

The yeas and nays were ordered.

(Mr. METCALF assumed the chair.)

Mr. CURTIS. Mr. President, I am pleased to rise in support of the distinguished chairman of the Committee on Finance (Mr. Long) as we consider the report of the committee on confer-

ence on the Social Security Amendments of 1977.

Mr. President, may I say first of all that we all owe a debt of gratitude to the chairman for his most able leadership once again shepherding to final consideration one of the most important pieces of legislation since the enactment of the Social Security Act. This bill, which restores the fiscal soundness of the trust funds over the next 30 years, is of critical importance to the many millions of Americans who either receive benefits or contribute to the funds to make those benefits possible. Restoration of the confidence of America in the soundness of this most important program was always in forefront of the distinguished chairman's concern. That we have been able to accomplish that, and to do so in a way that retains the fundamental precepts of the social security program, is clearly attributable to his eminently capable, forthright, careful, and fair approach during the many months in which the Committee on Finance has been considering this issue. We should all be grateful that we have a man of RUSSELL LONG's stature at the helm.

I would like to express my appreciation, as well, to my other colleagues on the Committee on Finance, in the Senate as a whole, and in the House of Representatives for their diligent and thoughtful consideration of this complex issue. We have each made proposals, explored alternatives, quantified various approaches, and tested the numerous premises and constraints which one encounters in the field of social security financing. The bill before you today represents the contributions of many different Members of Congress, on both sides of the Hill, on both sides of the aisle.

And one Member is deserving, in particular, of significant commendation and accolade this afternoon. I refer to the distinguished senior Senator from Delaware (Mr. ROTN). His untiring efforts to secure long overdue tax relief for the many millions of Americans who want to send their children to college—but who may be unable to do so now, because of the rising costs of education and the rising tax burden that Government exacts from them—are a hallmark of legislative dedication and statesmanship. On three previous occasions, the Senate of the United States overwhelmingly has adopted the Roth tuition tax credit and sent it to the House for action. On each such occasion, the House Ways and Means Committee has promised that the proposal would be taken up, that hearings would be held, or that the matter would be allowed to be considered on the House floor. On each such occasion, those assurances have come to naught.

In November, this body again overwhelmingly adopted and sent to the House, as a part of H.R. 9346, the tuition tax credit proposal which the distinguished Senator from Delaware has untiringly advanced. Again, we find, the House Ways and Means Committee is unwilling to let this legislation proceed to the House floor for a vote. Rather than imperil the social security legisla-

tion, rather than jeopardize in any way this most important financing measure, the senior Senator from Delaware most graciously, and unselfishly in my opinion, but still fortunately dogged in his determination to bring the matter again before the House next session—has acceded to deletion of this particular amendment from H.R. 9346.

And next year, I hope he is successful. Next year, I hope the House committee will follow through on its promises to let the full House—which I feel confident supports tuition tax credits just as we do—vote on this matter which is of such critical importance to so many millions of taxpaying Americans. I trust the Senate will again give its colleague from Delaware its full measure of support. He deserves it, and he is eminently correct when he says that the concept of tuition tax credits for the hard-pressed middle class—or, for that matter, for members of all taxpaying classes in America—is an idea whose time has come. We should all be grateful for the leadership of the most able Senator from Delaware on this critical issue, for his thoughtful participation on the conference committee, and for his genuine statesmanship and skillful advocacy of a cause in which he deeply and correctly believes.

We have, then, Mr. President, reached agreement on the fundamental principles and details of legislation to reform the financing of the social security system. May I say at the outset that no one is more mindful than I of the wish to find solutions other than simply to increase taxes upon the American people. The American people are almost at the breaking point: We cannot, with all of the abandon of a child in a candy store, continue to pass one program after another, raise one benefit after another, with little or no thought to the final cost. What is happening here today is that, indeed, we are having to pay the piper for the excessive and often somewhat mindless generosity of past Congresses and past administrations—generosities which, I might add, I opposed on the floor of the U.S. Senate in one election year after another.

The fact is, however, that bill must be paid if we are not to break faith with all of those Americans who either now, or will at some time in the future, depend upon the social security system. The disability trust fund, under current projections, is scheduled to be exhausted in late 1978. The OASDI trust fund is scheduled to run dry in 1983. The health insurance trust fund, while having some additional reserves, is still scheduled to be depleted in 1987 or 1988. We must act; we must restore the viability of the trust funds; we must assure the integrity of the social security system for decades to come.

The legislation which is before this body today, therefore, takes several decisive steps, many of which should have been taken a long time ago. First, of course, and perhaps most critical from a fiscal point of view, we undertake decoupling; correction of the defective indexing formula which erroneously was put into the law by the Congress in 1972.

Of the current long-range deficit of approximately 8 percent, we can save one-half—approximately 4 percent—simply through the device of decoupling. I would have preferred another method, one that is based upon price indexing rather than wage indexing, but it is most commendable, in my opinion, that we finally have moved to correct this problem that has had so many long-range implications since it was created.

I am pleased and gratified, as well, that the committee of conference has restored the fundamental principle of parity—equal sharing in the costs of social security by employer and employee—which is central to the integrity of this program. Equal funding for social security insures that responsibility will be maintained; that the costs of social security will not be masked; and that the most regressive tax of all—higher prices—will not ensue. It also means that the burden of social security financing will not fall inequitably on some employers just because they happen to have a disproportionate share of employees at higher wage bracket levels.

By retaining parity, we have protected the many universities, colleges, and local governments in the United States which would have incurred a massive tax increase under the bill which originally passed the Senate. We also have protected the working men and women of America from reduced job opportunities, lessened benefits, and other economic effects that inevitably would have followed destruction of parity. Retention of this principle is the most important, and the most desirable, of all of the provisions of this historic legislation.

The bill before you today also carries the sound principle of trust fund financing, not one which either raids or borrows from the general fund. The current and future beneficiaries of this program want to make sure that their dollars are real dollars, are sound dollars—not ones that emanate from the Bureau of Engraving to meet a constantly expanding Federal deficit. To depend upon, or borrow from, the general fund to meet the costs of social security is to depend upon a cupboard that already is bare: The deficit in the general fund for the current fiscal year is estimated to be \$61 billion. By retaining trust fund financing, we have kept a promise to the people of America that this program will not be a welfare program; it will not be one that is subject to even greater temptations to raise benefits without raising taxes; and it will not be one that imposes yet another hidden tax: the cruel tax of inflation, through deficit spending. We have met the funding responsibility head on, and it is an historic and long overdue moment for the Congress to say "We are going to make this program whole; we are going to cure its fiscal problems; and we are going to do so in a way that is direct, aboveboard, and free of gimmickry." We should have undertaken this kind of fiscal responsibility long ago.

There are other excellent features of the bill before this body today, Mr. President; the conferees have reached accord on numerous additional features which

have long been sought and which measurably will assist the integrity of the respective funds and numerous American citizens. I commend to this body the provisions of H.R. 9346 which:

Revise the earnings limitation, so that persons between the ages of 65 and 69 will have it liberalized and those over age 70 will have it eliminated completely;

Make similar adjustments for the blind;

Increase the delayed retirement bonus;

Mandate a study of the very important question of universal coverage, to be submitted no later than two years from now;

Also review—pursuant to recent Supreme Court decisions—the very critical issues of gender-based distinctions, to reexamine our premises, rather than either simply providing to men what we historically have provided to women, or depriving both groups of needed benefits in an indiscriminate fashion; and

Reduce the duration of marriage requirement, so that a person must have been married to a worker only 10 years, not twenty, to be eligible for benefits as an aged divorced spouse or a surviving divorced spouse.

I am particularly pleased that the conference adopted three amendments which I felt had particular merit: exempting persons who had already retired, or could retire (or, in the final version, who are within 5 years of retirement), from the dependency offset; making widows and widowers eligible for the delayed retirement bonus earned by their respective spouses; and permitting related corporations, of which one serves as a common paymaster and which employ a single individual, to pay the same social security tax that a single employer would pay. These bring a substantial added measure of equity to the social security program.

Finally, there are certain public assistance provisions, such as the work demonstration project and the wage base access authority, that should literally save millions of tax dollars in the more efficient design and operation of our welfare program. These are most desirable accompaniments to our revisions to the Social Security Act.

In sum, Mr. President, the bill achieves a great deal, perhaps far more than we would have hoped than when we began our deliberations last spring.

At the same time, Mr. President, there are some areas in which the bill takes an approach which I would prefer that it not take, or it is deficient in addressing some critical remaining problems, and I want to bring them to the attention of this body. First, while it makes—under current projections—the disability insurance trust fund sound for the next 30 years, and the OASI trust fund sound for the next 50 years, it still does not have long-range actuarial balance. It still carries a deficit over the next 75 years of approximately 1.45 percent of payroll (compared with the current deficit of approximately 8 percent).

Next spring, we could again be greeted by headlines, when the trustees file their report, that the "social security fund remains in long-range actuarial deficit." There is no reason, in my opinion, why we could not have proceeded to adopt the small additional tax rate increases for the years 1995 and beyond that were in

the Senate bill when it was sent to the House. We could have made it actuarially sound. The House refused to do so; and this only means that future Congresses will have to finish the job.

Second, there is much too heavy a reliance, in my opinion, on the wage base, rather than the tax rate, as a means of solving the financing problems of the trust funds. Under the bill before you, the maximum wage base will go up to \$42,600 in 1987—compared with the level of \$16,500 now. Combined with the tax rate increases, that means someone at the maximum will be paying \$3,046 in social security taxes, compared with \$965 now. Reliance on the wage base, rather than the tax rate, has two defects: First, it creates its own further financing problems, because benefit increases are triggered by increases in the wage base; and second, and more importantly, it places a massive additional burden on middle-class taxpayers already staggering under other governmental onslaughts—when that burden could be spread out much more equitably, much more evenly, and with less overall harmful effect.

It is akin to having six houses, and asking the resident only of the sixth to meet almost all of the costs of rescuing the social security system. As the Members of this body well know, an alternative could have been adopted which simply relied upon an additional tax of one-half to 1 percent, applied across the board, with no increases in the wage base schedule. I think we will find in the future that this infinitely would have been a better approach.

Third, there were a number of critical public assistance provisions—most notably, the earned income disregard reform—which could have and should have been accepted by the House as a part of this legislation. We should move decisively on H.R. 7200 early in the next session to make sure that these provisions are enacted into law. The American taxpayers deserve, and demand, the kind of real welfare reform that is typified by many of these provisions.

And finally, of course—while I do applaud the fact that we have buckled down and met our responsibility to make this system whole—there is still the fact that we have done almost nothing to examine the system itself, to determine where its eligibility and benefit schedule may be awry, may contain inappropriate liberalizations, or may carry defects or loopholes which need to be corrected. All we have done is to raise taxes—not to revise and revamp the programs themselves. I refer not only to the disability insurance program, which everyone acknowledges is out of control. I refer also to the basic OASI program, and the HI program, which continue to confer benefits to persons in an indiscriminate and sometimes inordinately expensive fashion. What sense does it make, for example, for the age of the children for which a woman automatically qualifies for caretaker benefits in social security is 18, when in public assistance it is age 6, and under the President's welfare reform program it is age 14? What sense does it make for

medicare to continue to provide a whole host of benefits to persons who well can afford to take care of themselves?

Our next task, Mr. President, is to address these eligibility and benefit questions with the same tenacity, the same determination, with which we have addressed the financing question. Only in that fashion can we complete the job and meet our responsibility to the American taxpayers. We have asked them, in this legislation, to shoulder the largest tax increase in the history of the social security system. That can very well prove, for many segments of our population, simply to be a burden which they cannot reasonably be expected to meet particularly with the wage base approach which has been taken. We owe it to them, and to future beneficiaries of Americans, to reassess the entire social security benefit and eligibility structure, and to look at all alternative systems, to make sure that our program policies are consistent with rationality—and that our taxation demands are keyed to a careful and detailed analysis of what is, in fact, required to provide a retirement program that is sound and not profligate, that is sensible and not superfluous, to meet the wishes and needs of the American people.

Mr. President, I wish to say just a few additional things.

This is a far better bill than it was when the matter was submitted by the administration. The Senate very wisely rejected the idea of paying social security funds out of general funds. It would be running away from a problem. It would turn a program into a welfare program and would not be good at all.

The Senate also rejected the idea of borrowing from the general fund because that, too, is undesirable, although maybe in a little lesser degree.

Mr. President, I am glad that we kept parity between employers and employees. This is a program for everybody. Employers, as such, draw no benefits. Employees draw benefits and, of course, the self-employed. It is their program. If they have a part in it, and an equal part, they continue to draw their benefits with dignity and with a sense of propriety.

Mr. President, I would be derelict in my duty if I did not point out that this financing of social security is not nearly as good as the Congress could have done. Too often we have raised social security revenue by increasing the wage base. At the present time, the wage base is \$16,500 and in the law there are certain provisions for indexing it as costs and prices go up.

But, Mr. President, when we seek to find additional revenue by raising the wage base, we are doing a very unwise thing. We are soaking—and I mean soaking—the middle class.

The taxes under this bill in a few years are going to be very high for people who make \$20,000 or \$25,000. It is going to be unjustly high and it need not be so.

Mr. President, when we provide the income that we need by raising the wage base, we are applying the burden to one-sixth of the people.

Suppose that one is a landlord who has six houses, has to have more money to operate, and decides to put all of the increase on one tenant, one house. It would be an unbearable load. That is exactly what we do in social security.

A modest tax increase applied to everyone is the right way to raise money for social security. The taxes on the upper brackets are going to be unconscionably high.

Mr. President, someone might say, "Well, if you raise the tax rate, aren't you unfair to the poor?" Not at all.

If the tax rate is 6 percent—it is a little over that—and someone makes \$4,000, they pay a lot less than someone that pays 6 percent on \$20,000. That is one thing.

Secondly, the Congress, very appropriately, has fixed the benefits in favor of the low income. They get a much better bargain. They get a greater portion of their wages back in social security benefits than the higher paid.

There is a third reason. We have in the tax law what is called the earned income credit, that someone who earns his money, is not on welfare, works hard, gets a credit for 10 percent of his wages up to \$4,000.

The individual making \$4,000 gets a refundable tax credit of \$400. It more than offsets his social security tax. It phases out at \$8,000, but the individual making \$7,000 gets a check back for \$100.

That is in the law. It is there because of the leadership and the foresight and the compassion of the distinguished chairman of the Finance Committee (Mr. Long). But it serves a good purpose.

So this financial burden of ours could have been met by raising the tax rate one-half of 1 percent on employees, and one-half of 1 percent on employers. There would have been some raise, yes. It would have cost \$10 for somebody making \$10,000 a year. But it would not have been an excessive burden.

The way it is, we have imposed an excess burden on the middle class, particularly, and they will feel it in just a few years.

Mr. President, it does make a difference whether we meet problems fairly or whether we run away from them.

Do you realize, Mr. President, that we are raising \$75 billion of additional revenue in this bill and only \$4 billion of it goes for more benefits? \$71 billion of the \$75 billion of additional revenue has to go to make up past losses. Why? Because in 1972 we raised benefits by 20 percent without adequately providing for them.

Mr. President, I am grateful, and I commend my colleagues for what they have done in turning back the proposal of the administration to pay benefits out of the general fund, or to borrow from the general fund or to soak the employers. That is good.

I am sorry that we are raising too much of this money by extending the wage base and having an excessive burden fall on the few, when a modest burden could have been borne by everyone. However, all in all, we must consider that this is a complex matter—some people did not take the time to understand it fully; that

in this case we had to overcome the irresponsible—and I say that advisedly—position and lobbying and campaigning of an administration that was flirting with the welfare of every social security recipient now and those who will be beneficiaries in years to come.

Mr. DANFORTH. Mr. President, will the Senator yield for some questions?

Mr. CURTIS. I am happy to yield.

Mr. DANFORTH. It was my understanding when this bill was before the Finance Committee, and again when it was on the floor of the Senate, that the intention was to create a funding of the social security trust funds so that they would be in actuarial balance for the next 75 years. Is that correct?

Mr. CURTIS. That is correct.

Mr. DANFORTH. Does this bill provide for actuarial balance for the next 75 years?

Mr. CURTIS. No, it does not. It does so for about the first 30 to 50 years.

I am aware that these long-range projections have to be revised as we make changes in the law. But the fact remains that, to my knowledge, this is the first time we have advanced a bill in the face of the knowledge that the long-range financing was inadequate.

Mr. DANFORTH. It is also my understanding that the intent of the Senate when we passed this bill has not in fact been realized and that there will be an imbalance actuarially sometime after the year 2000.

Mr. CURTIS. That is correct.

Mr. DANFORTH. It is also my understanding that the rates that have been adopted are significantly higher than the rates that were adopted by either the Senate or the House during the 1980's.

For example, if the Senator will look at table 3 on page 66, it is my understanding that for the year 1981, the tax rate is higher than the House bill; that for 1982, 1983, and 1984, it is a tax rate that is higher than both the House bill and the Senate bill; that for 1985, it is a rate that is higher than the House bill; that in 1986, 1987, 1988, and 1989, it is higher than the rate that was in either the House bill or the Senate bill; and that in 1990 and thereafter, the rate is higher than the rate that was in the Senate bill.

Mr. CURTIS. Yes. I think it calls for some explanation.

I would be opposed to the conference going beyond their scope. The social security tax is in two parts—the OASDI and the HI, the health insurance. Usually, it is quoted as the combined rate. What the conference did was to take the highest rate of any of the components, in some instances, from either House, and it came up with a combined rate that is higher.

Mr. DANFORTH. However, my point is that what we are doing here is adopting a rate structure which is generally higher than that adopted by the Senate and which, for a number of years, is higher than either the Senate or the House; that despite the fact that we have higher rates, we have not achieved actuarial soundness for the next 75 years, as we set out to do.

Mr. CURTIS. That is correct. A part of

the reason why the combined rate in the Senate was not as high as that agreed to by the conference was that under the Senate bill, they would have collected more money from the employers.

Mr. DANFORTH. Certainly, it is true that, so far as the working people of this country are concerned, they are going to be paying higher rates than under either the House or the Senate bill for a number of years, and still they are not going to have the assurance of actuarial soundness when at least some of them get to 65 or are of retirement age.

Mr. CURTIS. I think that is a valid criticism, yes.

Mr. DANFORTH. I am sorry that the chairman is no longer in the Chamber, but I should like to ask some questions and make some observations about a couple of amendments that were adopted by the Senate by overwhelming margins.

One is the amendment that was offered by Senator ROTH, providing a \$250 tuition tax credit for college students. That was adopted by the Senate by a margin of 61 to 11. Only 11 Senators voted against it.

I wonder whether Senator LONG would be able to give me his views on the prospects of either that amendment or the so-called Packwood-Moynihan tuition tax credit proposal, as to whether there is any significant likelihood that these things—I think the Roth amendment has been voted by the Senate on three occasions—ever are going to become law or whether we are going to be wasting our time in the Senate by voting for this amendment.

Mr. LONG. Mr. President, from the point of view of the conference report, the administration did not prevail on two major items that the administration was recommending.

One item was the approach that the Senate did agree to accept by a margin of one vote, with the Vice President breaking the tie, that there be a heavier tax on the employer than on the employee. That was an initiative by the administration—an innovation, one might say, of major dimensions—on which the administration's position was not sustained. The conference agreed to the position of the House and provided for parity of taxation between the employer and the employee.

In addition, the administration had fought very hard for a provision that the funds to pay the benefits be borrowed out of the general fund. The point of view of the Senate was that there was not any general fund to borrow from; that the borrowing just amounted to having a printing press to print money; that you should not finance social security benefits by printing-press money because that was an unsound approach. The House conferees went along with the Senate on this. That represented another major setback in those innovations that were being recommended by the administration.

When we got to this big item of tax credits for education, it was a rider not relevant to the bill itself, but there certainly is precedent for offering a measure of that sort on a social security bill.

The administration and those who supported its position were dug in to the point that they just were not going to yield on this other item where some of us wished to compel them to see it our way.

If we could have persuaded the House of Representatives to see it our way we would have done it, but this is something that we could not do at this point. I am satisfied that before this Congress is over the Senate will again pass something along the line of the Roth amendment, that it will go to the President having been agreed to by the House of Representatives, and that the President will either sign it or veto it. I predict that the probabilities are that, by the time we get through debating this issue and having expressions on both sides, it is going to become law. If it does not become law, it will be because the President has vetoed it and the veto has been sustained.

But we were not able to enact it on this bill. That does not mean that it will not happen. It just did not happen on this particular occasion, but there will be other bills and, frankly, there will be other legislative situations where those who favor this tax credit approach will have more leverage in conference than they had at this point. I would think that if the administration had won on the two items that I mentioned, here would have been a little more leverage for the position taken by Senator ROTH and those who voted for his amendment than there was when the administration had failed to prevail on some very big items that it hoped to see added to the social security program.

Mr. DANFORTH. I am encouraged by the Senator's optimism. I wish now to ask the Senator about an amendment which I offered.

Mr. LONG. I think that we could have reached an agreement, that we take something like this is the bill we just passed and send that over to the House of Representatives with the tax credit on it. There was willingness on the part of the House conferees to cooperate in letting that bill pass in this session. If that were the case, we would have every reason to think that under the existing circumstances the bill would have been vetoed, and Senator ROTH decided that it would be better to renew the struggle on a measure that had a better chance of becoming law.

Mr. DANFORTH. It is certainly difficult to pass legislation over the opposition of the administration. It is not just the veto power. It is the leverage that the administration has in Congress.

Let me ask the Senator about the amendment that I offered along with a number of other Senators both in the Finance Committee and on the floor. As the Senator will remember, in the Finance Committee my amendment lost by a tie vote, and then on the floor it was adopted by a vote of 57 to 28, and it was an amendment to provide 10 percent of social security taxes for State and local governments and for nonprofit employers. I am very concerned about what happened in the conference to that amendment. I am sorry I was not present on the day that it happened.

But the theory behind this particular amendment was that between now and 10 years from now the social security tax liability for local governments, State governments, and nonprofit employers is going to be increased by \$15 billion. That is just too much money to take out of the local school districts, the local hospitals, the Salvation Army, and the Boy Scouts, and we should have offered some relief for them.

That amendment was washed out in conference. The Senator has been here I think 29 years and has a great reputation for knowing how to get things done in Congress. I have been here for 1 year and have no reputation for knowing how to get things done in Congress. I wonder if the Senator could offer me his thoughts as to whether or not this concept, which was adopted by a margin of almost 30 votes on the floor of the Senate, perhaps could be brought back to life in some other form.

Mr. LONG. Of course it can, I say to the Senator. I point out that there was more compelling logic to the Senator's amendment when we were looking at a bill to put a heavier tax on the employer than it did on the employee.

That situation more strongly supported the argument that these State and local governments and nonprofit institutions should be given at least some relief because of very high initial burdens placed on them.

When the tax goes on a parity basis rather than on the basis of putting it on the employer but not on the employee, that in itself is an alternative that places a lesser burden on the employer, and it reduces the need for the type of relief the Senator has suggested.

Of course, the Senator—

Mr. DANFORTH. Mr. President, will the Senator yield?

Mr. LONG. If I might say, of course the Senator's amendment had much to recommend it even if you do have parity of approach between two.

Mr. DANFORTH. Let me interject one point just at this point.

The fact of the matter is that, when you ran the figures when you compared the actual tax burden created by the parity approach versus the disparity approach, the tax effect on this group of employers turned out to be almost identical; that is, it was a difference, as I recall, between a \$15 billion annual increase by 10 years from now and a \$15.2 billion annual increase. So, even under this version of the bill the consequences insofar as the Salvation Army, the hospitals, and the local governments are concerned, are almost exactly the same as they were under the administration's proposal.

Mr. LONG. Yes. I urge the Senator to keep in mind that his proposal was a relatively new legislative proposal which has merit to recommend it, and sometimes we have to pass something of that sort more times than one before it becomes law.

I am sure the Senator will bring his proposal back again and the Senate will back him on future occasions and in due course I anticipate the Senator will have

the success that we hope to achieve with his amendment.

One of the problems we were compelled to face was that we had between the Senate and the House some very expensive proposals—so much so that the administration as well as some of those from both Houses were concerned about the potential of a very high additional cost if we took the high-cost amendments of the two bills, and the cost in additional taxes of the relief that the Senator had in mind came into play.

But, may I say to the Senator, he has a worthwhile proposal. It does have a lot of merit to it, and I would urge the Senator that he should continue to pursue it because I believe when the House better understands it, as I believe the Senate does, he will find there will be more support for it.

Social security is not something that is dealt with once and for all by just one bill. We will be voting on social security bills around here as long as we are Members of this body, I would think. We will probably have another significant social security bill at least once every Congress.

I do appreciate the comments of the chairman, and I certainly would on my amendment appreciate any help he could provide in the future when this comes up again. I think it is a very important point.

I would add one thing that really concerns me, and that is the vehemence of the administration's opposition both to Senator ROTH's amendment and to my amendment. I think the nature of the vehemence is more than a dollars-and-cents question. I think it goes to a basic conceptual matter; that is, when I met with Hale Champion, the Under Secretary of HEW, to describe my amendment to him, he said to me point-blank—and I appreciated his candor—that, "we"—I took that to mean the administration—"have no problem in offering financial help to State and local governments and to colleges and universities, and so on, but we would like to do it in a targeted way."

I think that use of the word "targeted" has become a real byword in Washington. I take it "targeted" means that we at the Federal level are willing to help local governments and organizations throughout the country provided we can keep strings on that money, and that the problem with the approach in the amendment that I offered was that it was string-free resources; that it allowed discretion and responsibility to be exercised at the local level and in the local school district. Maybe that is just what we in Washington do not want to happen.

Similarly I noticed an article in the Washington Post in which Secretary Califano criticized the Roth amendment, and he said:

The most important point is that it is an absolutely incoherent way to make educational policy in this country.

Perhaps the nature of the administration's opposition to Senator ROTH's amendment is that the effect of it was to provide assistance to people who

wanted to send their children to college in a way which did not allow the Federal Government to make educational policy through the leverage power of the Federal dollar.

That to me is a very important philosophical question that I think was raised by Senator ROTH's amendment, was raised by my amendment, and which really got us into a hornets' nest insofar as the administration was concerned, including heavy lobbying by very, very high levels of the administration against these two amendments. I think not on the dollars-and-cents effect but on the basis that these approaches are ones which reduce the potential of manipulation by the Federal Government and that, perhaps, the desire, not just with this administration but with almost every administration, regardless of party, is to increase the amount of manipulation that comes from Washington.

(Mr. MELCHER assumed the Chair.)

Mr. LONG. I like the approach the Senator advocated, and also that Mr. ROTH advocated; that you would provide a tax credit which would have the effect of letting the individual decide for himself what he wants to do with his money—rather than to have him go to some Federal office and fill out an application and be told to come back, send the application into Washington, and after while have somebody come back to see him and talk to him about his situation and eventually tell him that he either did get some help or he did not. In either event they will tell him there are strings attached to it, that he will have to do things somebody in Washington wants him to do, contrary to his convictions, in order for him to get the relief proposed.

I personally think it is a good idea to have a tax credit to allow individuals to decide for themselves, just as I think there is a great deal of merit in what the Senator was proposing, in saying that if we are going to pass a big tax increase which is going to impose a burden on State and local governments, that we should do it in a fashion which eases the burden on the State and local governments and on the nonprofit organizations.

If the Senator will continue to pursue his proposal, as it gets to be better known across the country, he will have more support in the House, as he now has in the Senate.

As the Senator has discovered, when one convinces the body of which he is a part that something ought to be done, and then it finally goes to conference, and especially when he has the administration fighting him, the Senator cannot prevail on the other House. This is something which I have been familiar down through the years. I think I have had more familiarity with it than the Senator from Missouri.

However, I think if he will continue to pursue it, continue to pursue the type of suggestion he has generated, since there is a lot of merit to it and it has a lot of support, it will in time come to pass.

Mr. DANFORTH. I thank the Senator. Mr. MOYNIHAN. Mr. President, will the Senator yield?

Mr. LONG. I yield to the distinguished Senator from New York.

Mr. MOYNIHAN. I would like to call attention to the fact that in this social security bill there is also included \$187 million in fiscal relief for costs of welfare to the individual States, such as the States of Wisconsin, Maine, Louisiana, New York, each of the States, and this is the first installment in the President's proposal for a reform of the welfare system which involves fiscal relief to the States.

The Senator originally proposed, in accordance with an agreement with the administration, that there be \$374 million.

The House proposed to put—agreed to the total sum in principle—but proposed that half be put in the bill and half in the H.R. 7200 bill which they expect to receive back from the Senate sometime in the second session, and we agreed to that.

This is an important event. It is the first such relief of its kind in the history of the federal system. The fact that it is here very much attests to the fidelity to this purpose and the shared concern of our distinguished chairman, and I would like to stand in tribute to him in expressing the gratitude that I have and, I think, that the State governments and local governments throughout the country have and can appropriately share.

This is not the first time that you have been a good friend of this cause, and I would like so to state and state it at this time.

Mr. LONG. I thank the distinguished Senator from New York.

As he knows, the idea of the House in reducing the figure was that this would take care of us during the first few months, and they would expect to go along with something of this sort to continue the fiscal relief thereafter.

So while there is a reduction from the amount of money the Senate approved we would anticipate that in future legislation the House would go along with continuing it at about the rate that we had agreed to in our bill when we passed it through the Senate.

This is, of course, a credit to the Senator from New York for the fine work he has done in this area. He has been the one who has pressed for this idea.

It was to fulfill a commitment that the administration made, and a promise that the Senator from New York undertook to see that the administration kept, to provide fiscal relief to the States in the welfare area.

I hope the Senator will continue to push for it. I look forward to supporting him in this because I think he is right about it. I just hope the administration will continue to remember that commitments were made along this line. I think the States are entitled to the relief, and that is especially true of the State of New York. The Senator has very ably represented the State of New York, and I think the entire United States has

benefited when the Senator proposed the amendment and pursued it thereafter.

I am grateful to the Senator, and I am one of the supporters of his fiscal relief suggestion.

Mr. GOLDWATER. Mr. President, I intend to vote against this conference report measure, but I do not want that to seem a reflection of my feelings toward the chairman, who has been so instrumental in getting a decision on the social security matter.

Mr. President, while this may be a temporary solution, I do not think it is anything like a solution, and I think we will be going through the same rigors and efforts again within the next 10 years.

My personal opinion is that social security has failed, and we would be better off in this country if we pledged to every person who has ever paid a dime into the social security fund that that money would be returned, and then forget about the whole thing. There does not seem to me to be any way to have what we call social security and avoid the politics, every 2 years, of having the House feel that it must make additions to the social security payments regardless of whether the money is there.

This is going to work a terrific burden on the small- and middle-class businessman. It is going to become a burden so great that it will cause the closing of many businesses. In many instances, social security payments will be more than the annual internal revenue bill. So, Mr. President, I wanted to explain my position.

I have tried for years to call to the attention of this country and to the attention of Congress that the social security fund was getting into increasing trouble. My personal opinion is that it is bankrupt, although some argument can be made that it will not be bankrupt for another 4 or 5 years.

But I cannot, in good conscience, go home to face my people and tell them that I voted for a bill that I do not think will help them one bit, but will work irreparable damage to an already overburdened economy which in itself faces trouble.

Mr. President, having explained that, I shall vote against the bill, but I ask unanimous consent to have printed in the RECORD an article published in this evening's Washington Star in the form of a question-and-answer interview with a Mr. Irwin Schiff of New Haven, Conn. I do not know the gentleman; I have never heard of him before, but what he has said in answer to questions put to him by a Star reporter does make sense, so I ask unanimous consent that it be printed in the RECORD at this point.

There being no objection, the interview was ordered to be printed in the RECORD, as follows:

[From the Washington Star, Dec. 15, 1977]

CRITIC KNOCKS U.S. SOCIAL SECURITY

(NOTE.—Irwin A. Schiff, a New Haven, Conn., insurance consultant and accountant, is a veteran critic of the Social Security and Internal Revenue systems who has written extensively on those subjects. He was inter-

viewed by Washington Star Staff Writer Ron Snider.)

Question: You've criticized the Social Security system as being bankrupt. Is the new law going through Congress going to help salvage the system?

Schiff: No Social Security is unsalvageable. First of all, it's not even a system. It's nothing more than a welfare scheme. Money comes in and money goes out. Congress went so far as to try to create the illusion that they were going to increase taxes on the employer. This is purely an indication of the deviousness and the dishonesty of Congress. Social Security taxes are an indirect labor cost. The working man must produce enough to bear the cost of his employment, both direct and indirect, so that these increased Social Security taxes must come out of the hide, or out of the productivity, of labor. So the laborer is going to pay for these taxes either in terms of lower wages or an increased cost for the goods he buys.

Q: Well, regardless of who pays, will the increased revenue help put the Social Security system on a better plane?

A: No. The Social Security system is over. It's a chain letter that's run out of chain. Basically what Congress wants to do is get some more money for one or two years before the system caves in on those already in Congress so they can get a couple more years of office, so they can get their own pensions. The system is totally unsound. The government talks about the trust funds. There are no trust funds. There never were any trust funds because the \$46 billion the government says is in the trust funds are nothing else but government bonds. Bonds are simply a way of the government saying we owe ourselves \$46 billion.

Q: If there were no politics involved, if you had actuaries in there looking at the Social Security system and they didn't have to worry about public reaction or votes, could they come up with a plan to modify and make Social Security work?

A: No, because if Social Security were an insured plan the way it was presented to the country, it would have to have a fund of over \$4 trillion. That almost equals all of the above-ground wealth in this country. There is no way that the system can deliver the benefits that these irresponsible rascals promised. Social Security was really a way that Congress could demonstrate how generous it was going to be every two years; congressmen simply voted increased benefits without bothering to stop to think of the cost. They simply voted more benefits than those people who are working can deliver. Now they don't want to recognize this. Roughly 15 percent of the population is on Social Security and there's no trust fund. Suppose in 1937, when the Social Security system was adopted, it was suggested that 15 percent of our population immediately would begin receiving benefits. Would the system have passed? Of course not.

Q: How was it sold?

A: It was sold on the basis that it was going to be an insurance scheme. As a matter of fact it was sold on the basis that this trust fund would increase so that by the year 1980 the trust fund would reach its full maturity. It was sold on the basis that it was going to be actuarially funded. Now, it is not funded. We now have 15 percent of our population drawing benefits and there is no trust fund. Obviously, if this had been suggested in 1937, it would have been laughed out of existence. The only reason we have Social Security today was that it was declared constitutional on the basis that it was a funded plan. It's unfunded, therefore it's basically unconstitutional, and since it's unconstitutional, nobody has to take any notice of it or the laws passed to support it.

Q: All politicians from the left to the right have endorsed the concept of Social Security.

Other countries have had similar plans since the 18th century. Is it feasible that Social Security can be done away with under any circumstances?

A: The reason Social Security was popular is that politicians universally like to play Santa Claus. Politicians are universally devious. Politicians are universally liars. Now there are exceptions to this, but they are the exceptions, not the rule. And that's the way politicians get votes. We have a weak economy today because we have adopted this so-called Social Security. But it's not Social Security, it's social insecurity. The only way we can be socially secure is to produce as much goods, is to produce considerable goods at low prices. What the Social Security tax does is puts a burden on producers and drives certain producers out of business.

Q: For example?

A: Well, when Grants went out of business 65,000 employees lost their jobs. Now Grant was paying a payroll tax to the government roughly 6 percent of its payroll. Suppose Grant had in the bank, just what it had paid in payroll taxes for the previous five years, could that have staved off its bankruptcy? I think so. There are many businesses that are going bankrupt which if they had their payroll taxes would stay in business. So Social Security is actually throwing people out of work. The Social Security tax is a tax on hiring people. It artificially raises the cost of wages. Now there are many marginal businesses that simply can't afford to pay wages plus the artificial taxes. So they don't hire. What the government does is give nice names to things. In other words, how can I be against Social Security? Well, I want social security, but social security doesn't come by taxing producers and giving non-producers an incentive not to produce. The government does it with everything. Every time the government wants to raise taxes, they talk about a tax reform package. When the government wants to pay farmers not to grow food, they don't say we want to pay farmers not to grow food, they call it soil bank payments. When the government wanted to have price controls, they called it Fair Trade laws. Who can be against things that are fair and trade. Social Security should be called Social Insecurity because that's what it creates.

Q: Even if Social Security would disappear, the government still would make some move to aid retired people who couldn't survive, who had no income, just as they have welfare payments now. Wouldn't there be some system?

A: The reason why people who are 65 may need Social Security is that the government has been confiscating their earnings all their life through taxation and inflation, so that when they get age 65 they're almost destitute because of government taxation. But assuming the government wasn't swallowing up all this money, people would have it to save on their own. The private charities would have more money, and if somebody needed money they could go to other sources. The point is: Politicians and government can't do anything. All they can do is get in the way of people who produce. Your congressmen and senators are nothing but influence peddlers. It's not their money, they get in the way of producers. Yet they want to create the illusion. It's government, with all their benefits, that has made this country inefficient producers and less competitive with foreign producers. My God, we flooded the country with radios, Singer sewing machines and tractors and cars. Now, because of OSHA because of all these government regulations and taxes and payroll taxes, we've become high cost producers and we can't afford to pay for our imports.

Q: But isn't it true a great majority of the people supports the government policy, and favors the Social Security system, welfare,

the Federal Trade Commission, the Consumer Product Safety Commission. They're anti-business. Where's your support?

A: Right now you have 10,000 of what are known as public information officers in Washington writing every day. These are propaganda officers and what they've done is they've created an illusion. The vast majority of Americans are being deluded by government. Now I'm not relying on the vast majority of Americans, but there are 5, 10, 15 million Americans who know that government is destroying this country, as government destroyed England. So it's the understanding, patriotic American who will react by refusing to pay government taxes that are not legally required. And the message will start to get across to more and more people. The only thing that knowledgeable Americans can do is not give aid and comfort to the enemy and educate other Americans. And that's what I'm doing. I'm going around the country putting on seminars. Now you've got to realize the American Revolution was won because one-third of our population was willing to risk a revolution. They didn't wait to convince the majority of Americans.

Q: And how do you figure these people will come to believe this?

A: Many Americans realize that we're getting very close to where we can have runaway inflation. What I want to point out to the people is that government is totally useless in raising their standard of living. The people may realize that when they see Social Security go bankrupt—because now they suspect government. See, the government can make promises for years. At the original hearings when Social Security was considered in 1935-36, there were people who pointed out that this would not work. And for years these people were maligned and made fun of. And now they're going to be proved right. It took two generations to prove that this chain letter wasn't going to work. And when this collapses—and people are going to see that the government is the Wizard of Oz. That when the screen falls down there's a little funny old man there who doesn't do anything.

Mr. DOLE. Mr. President, last Tuesday Vice President MONDALE declared that it would be a major victory if the social security bill were passed this year. As a spokesman for an administration that has proposed more taxes in its first year than any other administration in our history, I imagine that the imposition of a \$227 billion tax bill would be classified as a victory.

ECONOMIC TURMOIL

The Senator from Kansas, however, is concerned over the economic impact of this bill. The fiscal drag on the economy resulting from this bill will be serious. The bill before the Senate today will triple the tax bite for middle-income workers. Workers will sharply pay increased taxes for only a promise of increased benefits years from now.

There is no question that the social security trust fund needs an infusion of new money. However, there is considerable risk that economic incentive and traditional growth patterns will be damaged from this enormous income transfer from the working to the nonworking population.

Increases in payroll taxes of this magnitude can expect to have significant macroeconomic effect. In general, payroll tax increases, like personal income tax increases tend to have a restrictive effect on the economy. However, unlike personal income taxes, payroll tax in-

creases are inflationary. The employer portion of payroll taxes tend to be treated as a cost of production by the firms. Increases in payroll taxes on the firm, like other cost increases, place an upward pressure on prices.

BUSINESS CONFIDENCE

A Gallup poll recently released shows that businessmen are nervous and gloomy about our economic future. A whopping 50 percent of those surveyed expect a recession within the next 2 years. Most businessmen expect the Government to do a poor job of managing the economy and fear that rising taxes will cause serious problems.

In light of the new social security tax increases, and the possibility that the useless and onerous energy taxes will be enacted, the country can ill afford to wait for the administration to decide on the composition of a tax reform package. Having listened to the President this morning in the press conference, it seems quite certain he is not sure what the package will contain. Instead, the administration should pack a package to provide tax relief for both business and individuals. In order to provide the capital to meet the needs of today and tomorrow we must minimize the present tax burden.

CONFERENCE ACTION

Mr. President, having said that, the Senator from Kansas wishes to commend the conference committee, the conferees and the distinguished chairman, the distinguished Senator from Wisconsin, and the distinguished Senator from Nebraska, because the conference committee improved the bill passed by the Senate. The conference adopted in modified form an initiative relating to the removal of the earnings limitation sponsored by the Senator from Kansas and the Senator from Arizona, Mr. GOLDWATER. Under the conference bill, the earnings limitation ceiling would be removed for Americans over age 70 and phased up to \$6,000 for those between the ages of 65 and 69.

EMPLOYER-EMPLOYEE PARITY

The conference committee wisely restored the employer-employee contribution parity. The unilateral employer increase in the wage base as passed by the Senate would have delivered a massive financial blow to the very sector of the economy which is charged with the responsibility of providing sufficient jobs and capital formation.

The bill also initiates decoupling and removes the horrible double indexing of benefits. Decoupling, by itself, would make a substantial reduction in the long-term cost of the social security program.

Fortunately, the conference rejected outright the administration's proposal to use general revenues to support the social security system. This measure, if enacted, would only have hidden the true costs of our social security system. Besides, almost everyone in Government knows that our present \$60 billion deficit has not produced any "general revenues."

BILL FAILS TO ADDRESS REAL PROBLEM

Unfortunately, neither the House nor the Senate addressed the real problems of the social security system. In failing to address these issues, the Congress in enacting this bill will be doing a disservice to not only the present beneficiaries but also to the future ones. I fully support corrective action to make the social security system fiscally sound. However, I question whether those who now must bear the burden of financing social security—the working class—should be asked to assume such massive burdens that this legislation would propose. Constantly raising taxes, either through the tax rate or the wage base, is not the only answer to preserve the vitality of social security. The Senator from Kansas believes that we should look to the beneficiary composition, the benefit structure, and the relationship between social security and other pension programs.

The passage of this bill does not mean the Congress can walk away from its duty to improve and refine the social security system. The Senator from Kansas hopes that the Congress and particularly the Senate Finance Committee will begin immediate work on initiatives to relieve the tax burden while preserving the integrity of the social security system.

Mr. NELSON. Mr. President, I regret that the conferees did not agree with the Senate version of the funding of the social security bill, because I think it was a better approach which would not have had such a severe impact upon the vast majority of small businessmen in this country, and all or almost all of the self-employed in this country.

I also regret that we did not accept the House provision which would have used the general funds to guarantee the social security trust funds in the event that any of their reserve ratios went below a certain percentage, because that would have made it possible to have a lower reserve ratio in the fund, and thus also lower tax burdens on both individuals and businesses.

I regret, too, that neither House moved to start transferring the responsibility for paying for the hospital insurance or the disability insurance from the social security trust fund over to the general fund in a phased-in way over a period of years, because, in my judgment, neither of those programs—disability insurance or hospital insurance—should be in the social security program.

If we had done that, we would have been able to have had lower social security tax liability rates and placed the burden of supporting those two programs with general revenues where they belonged.

There is not any doubt in my mind that we will be compelled out of equity and just commonsense to proceed to shift the burden of supporting hospital insurance and disability insurance from the social security trust fund to the general fund, and very soon. I would hope we would start considering that in the next year or so.

I was rather interested—I do not have the rollicalls in front of me—in some of the comments of those who are attacking the social security system here in the Chamber because of the high cost. I believe we will find that those critics all voted in the past for the benefits which are in there, and this year proposed additional benefits which I voted against, which would have increased the burden on the social security fund. I include, for example, the elimination of the earnings limitation that was proposed by the distinguished Senator from Arizona, which would have cost another \$1.1 billion a year. Yet he stands on the floor attacking the high cost of the system while taking the credit for voting benefit increases of \$1 billion or \$2 billion more than under present law, and thus requiring higher social security taxes. Fortunately that particular provision did not prevail in the conference.

I think sometimes the rhetoric we hear here is not justified coming from the sources who produce it when we consider the amendments they proposed or supported to increase the cost of the social security fund either this year, or in past years.

Mr. President, since its enactment, social security has become a vital component of this Nation's social and economic structure. In just over 40 years, social security has grown into a massive program providing retirement, disability, survivor and hospital insurance benefits to some 33 million Americans. To support these benefits, over 104 million Americans contribute payroll taxes to the social security trust funds.

The importance of the social security program to workers and retirees is underscored by the following statistics:

The average monthly benefits are \$234 for a retired worker; \$262 per month for a disabled worker; and \$223 for an aged widow.

Forty percent of all American workers pay more in social security taxes than they do in Federal income taxes.

For about 70 percent of all single beneficiaries and for some 50 percent of all couples, social security benefits are their major source of income. ("Major source" of income is defined as at least 50 percent of all annual income.)

One out of every four individual beneficiaries and one couple out of every 12 depend upon social security for their sole source of retirement income. ("Sole source" of income is defined as at least 90 percent of all annual income.)

Right now, the social security programs are in financial trouble, both in the short term and in the longer range. It is necessary to change present law to provide adequate financing for social security, because the social security trust funds do not have current income sufficient to meet the obligations made to beneficiaries, and the trust funds do not have sufficient reserves to carry the social security program for much longer. In 1977 and 1978, the social security trust funds will run a deficit each year of over \$5 billion.

Under present law, it is projected that trust fund reserves in the disability in-

surance program will run out in 1979, and the old age and survivors program will exhaust its reserves in 1983.

The long run, 75-year projection of the social security program also indicates that the present social security cash benefits program is seriously underfunded. The Board of Trustees of the social security program has reported that there is a long term deficit in the old age, survivors, and disability insurance (OASDI) program of 8.20 percent of taxable payroll.

Over the 25-year period covered by the cost estimates, the hospital insurance (HI) program has an average deficit of 1.16 percent of taxable payroll. This is equivalent to \$9.3 billion per year based on the 1977 taxable payroll.

To deal with social security's financial problems, the House of Representatives passed a financing bill—H.R. 9346—on October 27, 1977. The Senate also approved a social security financing bill on November 4, 1977. The goal of both of these bills was to provide enough income to meet benefit payments, and to maintain a reasonable balance in the social security trust funds as a contingency reserve to carry the program through a recessionary period. While the House and Senate bills differed as to the precise way in which to put the social security programs in a sound financial position, each House used three basic methods to reduce short range and long range deficits in the social security program:

First. Increase revenues by adjustments in the social security payroll tax and the wage base upon which these taxes are paid.

Second. Adjust social security benefits.

Third. Infuse general revenues directly into the social security programs or authorize the social security trust funds to borrow from Federal general revenues.

1. INCREASING REVENUES

The most fundamental difference between the House and Senate bills is the way in which additional revenues would be brought into the social security trust funds. The Senate and House bills each increase the amount of earnings subject to the employer tax, increase the earnings subject to either the employee or self-employed tax, and increase tax rates for employers, employees, and the self-employed.

The traditional approach to financing the social security cash benefits and HI programs has been to levy an equal tax on employers and their employees. This concept of taxation has become known as "parity." Under the Senate bill, however, the amount of wages subject to social security taxation would have been different for employers on the one hand and employees and the self-employed on the other. The Senate bill thus provided for a temporary break in the "parity" concept by placing a greater share of the social security tax burden on employers, while the House bill raised the wage base equally for employers and employees to finance social security benefits.

Under the Senate provision, the wage base subject to employer taxes would be raised to \$50,000 starting in 1979. The

employer base would remain at \$50,000 through 1984 and then increase in 1985 to \$75,000. The base would remain at \$75,000 until such time as the employee tax base reached a level of \$75,000, in about the year 2002. Thereafter, the two bases would be equal and would rise together in relation to increases in average wage levels throughout the economy.

The Senate and House conferees agreed to accept the House approach in which employers and employees will contribute equal amounts of taxes to the social security trust funds. This approach does adequately fund social security benefits in the future, but in my judgment the unequal employer/employee wage base would have been preferable.

Disparity in the employer/employee wage bases redresses an imbalance in the present law. Many people believe that employees and employers have been treated the same insofar as social security payroll taxes are concerned—that there is a "parity" concept that must be preserved. In fact, employers have always enjoyed an advantage not available to employees, and that is that profit-making employers can deduct their contributions as a cost of doing business when they calculate their income taxes. Employees cannot. In effect, this means that employees have been asked to bear a greater share of the cost of operating the social security programs. By raising the wage base for employers higher than for employees, employers and employees after-tax situations would be more nearly equal.

Furthermore, since future benefits are tied to the employee wage base, raising the employee wage base has cost implications for the future. In social security, today's decisions must be considered in view of their future effect. Since benefits are tied to the wage base on which employees pay into the system, raising employee contributions will mean that higher benefit payments will have to be paid in the future to these high-paid employees. Somewhere down the line workers and employers will have to have their social security taxes raised to pay for these retirement benefits. It has been calculated, for example, that with the House approach benefit payments in the future will cost 0.27 percent of payroll more than the Senate bill over the next 75 years. This additional cost is equivalent to 2.16 billion per year if based on total taxable payroll this year, and it will increase substantially in the future.

Perhaps most importantly, disparity in the employer/employee wage bases avoids increasing the wage base upon which workers contribute social security taxes or increasing the tax rates for all employers and employees.

Right now, employers already pay taxes nationally on 87 percent of all workers' earnings. Therefore, raising the amount of earnings taxed does not represent a major new expense for the vast majority of employers. In many small businesses, 100 percent of the wage base is already covered because each of its employees earn less than \$16,000, the amount of earnings subject to social security taxes in 1977.

When the Senate considered the wage

base disparity, Senator CURTIS offered a proposal that would have preserved equal employer and employee wage bases by raising tax rates. I opposed that proposal because it would have increased social security tax liability for low- and middle-income workers by a substantial amount, thus further increasing the regressivity of the present payroll tax. A tax rate increase also would impact on small businesses more significantly than increasing the wage base for employers only. This is because a small business would have its entire payroll affected by a tax rate increase, while it would only have to pay additional payroll taxes on workers earning high wages under the unequal employer/employee wage base proposal. Small businesses primarily do not have high-paid workers. The Senate did not accept the tax rate increase plan.

The House bill raises the employee wage base to a greater extent than does the Senate bill. The effect of these wage base increases, imposed by the House—and adopted by the conferees—is that high-paid workers and high income self-employed workers will have much larger increases in their social security tax liability when compared to the Senate bill.

To illustrate the impact that the House and Senate bills and the bill reported by the House-Senate conference committee will have on workers earning the average wage, as well as upon workers earning the maximum amount of wages subject to social security, the following two tables have been prepared:

IMPACT ON ANNUAL TAX PAYMENTS OF WORKER
EARNING AVERAGE WAGE

	Wage	Taxes under present law	Increase over present law		
			Senate bill	House bill	Con- ference report
1977	\$10,001	\$585			
1978	10,812	654			
1979	11,655	705	\$10	0	\$9
1980	12,486	755	11	0	10
1981	13,281	837	40	\$33	46
1982	14,078	887	49	49	56
1983	14,888	938	52	52	60
1984	15,744	992	55	55	63
1985	16,649	1,049	125	108	125
1986	17,606	1,136	114	114	123
1987	18,619	1,201	121	121	130

IMPACT ON ANNUAL TAX PAYMENTS OF WORKER
EARNING THE MAXIMUM

	Taxes under present law	Increase over present law		
		Senate bill	House bill	Con- ference report
1977	\$965			
1978	1,071	0	\$133	0
1979	1,143	\$53	252	\$260
1980	1,234	54	333	353
1981	1,380	145	566	595
1982	1,474	162	640	656
1983	1,569	207	686	703
1984	1,663	212	731	749
1985	1,758	278	890	928
1986	1,986	383	958	978
1987	2,012	394	1,012	1,034

Mr. President, no matter what proposal or combination of proposals had been adopted to finance social security, this financing legislation would be controversial. The fact is that no one wants to pay more taxes. At the same time, no one

wants social security benefits cut back. While I do not agree that the conferees adopted the most and advantageous method to finance future social security benefits, the conferees did take the action necessary to insure the future integrity of the social security system.

Mr. President, I ask unanimous consent that charts comparing present law tax rates, wage base, and reserve ratios in the HI and OASDI funds with the Senate bill, the House bill, and the conference report be printed at this point in the RECORD.

There being no objection, the charts were ordered to be printed in the RECORD, as follows:

COMPARISON OF FINANCING PROPOSALS

	Present law	Senate bill	House bill	Conference report
Total (OASDI) tax rate (employer and employee, each in percent)				
1977	5.85	5.85	5.85	5.85
1978	6.05	6.05	6.05	6.05
1979	6.05	6.135	6.05	6.13
1980	6.05	6.135	6.05	6.13
1981	6.30	6.60	6.55	6.65
1982	6.30	6.65	6.65	6.70
1983	6.30	6.60	6.65	6.70
1984	6.30	6.65	6.65	6.70
1985	6.30	7.05	6.95	7.05
1986	6.45	7.10	7.10	7.15
1987	6.45	7.10	7.10	7.15
1988-89	6.45	7.10	7.10	7.15
1990-94	6.45	7.55	7.65	7.65
1995-2000	6.45	8.10	7.65	7.65
2001-10	6.45	8.70	7.65	7.65
2011 and later	7.45	9.20	7.65	7.65

	75-yr average balance			
Percent of taxable payroll	-8.20	-0.18	-1.62	-1.45
Employee earnings base				
1977	\$16,500	\$16,500	\$16,500	\$16,500
1978	17,700	17,700	19,900	17,700
1979	18,900	19,500	22,900	22,900
1980	20,400	21,000	25,900	25,900
1981	21,900	23,100	29,700	29,700
1982	23,400	24,600	31,800	31,800
1983	24,900	26,700	33,900	33,900
1984	26,400	28,200	36,000	36,000
1985	27,900	30,300	38,100	38,100
1986	29,400	32,100	40,200	40,200
1987	31,200	33,900	42,600	42,600
Employer earnings base				
1977	\$16,500	\$16,500	\$16,500	\$16,500
1978	17,700	17,700	19,900	17,700
1979	18,900	19,500	22,900	22,900
1980	20,400	50,000	25,900	25,900
1981	21,900	50,000	29,700	29,700
1982	23,400	50,000	31,800	31,800
1983	24,900	50,000	33,900	33,900
1984	26,400	50,000	36,000	36,000
1985	27,900	75,000	38,100	38,100
1986	29,400	75,000	40,200	40,200
1987	31,200	75,000	42,600	42,600

	OASDI reserve ratio (start of year; in percent)			
	Present law	Senate bill	House bill	Conference report
1977	47	47	47	47
1978	36	36	37	37
1979	27	27	31	29
1980	18	24	27	26
1981	9	22	25	25
1982	(^a)	24	26	30
1983	(^a)	27	28	36
1984	(^a)	29	29	41
1985	(^a)	30	30	45
1986	(^a)	36	34	52
1987	(^a)	41	37	59

	HI reserve ratio (start of year; in percent)			
	Present law	Senate bill	House bill	Conference report
1977	66	66	66	66
1978	55	55	55	55
1979	56	48	50	48
1980	53	46	44	45
1981	45	40	34	39
1982	50	44	42	47
1983	50	43	45	50
1984	44	36	42	47
1985	34	25	34	39
1986	20	16	22	29
1987	10	6	15	22

	Present law	Senate bill	House bill	Conference report
OASDI tax rate (each; in percent)				
1977	4.95	4.95	4.95	4.95
1978	4.95	5.05	5.05	5.05
1979	4.95	5.085	5.05	5.08
1980	4.95	5.085	5.05	5.08
1981	4.95	6.35	5.25	5.35
1982	4.95	5.40	5.35	5.40
1983	4.95	5.40	5.35	5.40
1984	4.95	5.40	5.35	5.40
1985	4.95	5.70	5.65	5.70
1986	4.95	5.70	5.65	5.70
1987	4.95	5.70	5.65	5.70
HI tax rate (each; in percent)				
1977	0.90	0.90	0.90	0.90
1978	1.10	1.00	1.00	1.00
1979	1.10	1.05	1.00	1.05
1980	1.10	1.05	1.00	1.05
1981	1.35	1.25	1.30	1.30
1982	1.35	1.25	1.30	1.30
1983	1.35	1.25	1.30	1.30
1984	1.35	1.25	1.30	1.30
1985	1.35	1.35	1.30	1.35
1986	1.50	1.40	1.45	1.45
1987	1.50	1.40	1.45	1.45

¹ Includes effect of statutory increase.

² Includes effect of statutory earnings base increase.

³ Funds exhausted.

2. THE SOCIAL SECURITY BENEFIT STRUCTURE

Mr. NELSON. The House and Senate conferees agreed on two major adjustments in the social security benefit structure. One relate to the computation of benefits for new retirees; the other relates to the social security earnings limitation.

The social security conferees agreed on a new procedure for computing benefits for new retirees. Beginning in 1979, benefits would be decoupled to solve the unintended effect in present law that overcompensates for inflation. Social security replacement rates would be established at an amount calculated to be about 43 percent of an average worker's earnings the year before retirement. These replacement rates would be held constant thereafter.

Existing law calls for automatic cost-of-living increases in benefits effective each June and for increases in the tax base (based on changes in wage levels) each January (assuming that the Consumer Price Index rises by at least 3 percent). Each benefit increase is put into effect by a revision of the table in the law. Thus, each increase applies not only to people entitled to benefits for the month the increase is effective but also to everyone who will become entitled to benefits in the future.

The automatic "cost-of-living" benefit increase mechanism incorporated into the social security program by the 1972 amendments operates exactly as intended for persons on the benefit rolls. Once the initial benefit has been established, it is periodically increased by a percentage which restores its original purchasing power according to the official governmental index of purchasing power—the Consumer Price Index. The social security financing bill proposes no change in this concept.

The "cost-of-living" adjustment mechanism, however, has a peculiar effect on future benefits. This is because increases in the Consumer Price Index increase the percentages in the formula for determining initial benefits in the future. Fu-

ture benefits, however, are based on earnings which rise, in part, as the result of increases in prices. Thus, wages which were increased to take account of rising prices are multiplied by a benefit formula which was also increased to take account of the same increase in prices.

For an example of how benefits are increased under present procedures, assume a program with a benefit equal to 50 percent of wages. In such a program, wages of \$100 would produce a benefit of \$50. If wages and prices both rise by 10 percent, the individual who is on the benefit rolls will have his benefit increased to \$55 and the person who is still working will have his \$100 wage increased to \$110. If the benefit formula is left unchanged, both individuals would qualify for a \$55 benefit. But under present procedures the benefit formula is also increased to 55 percent and the person who will retire in the future with wages increased from \$100 to \$110 will get a benefit of \$60.50 (55 percent of \$110).

Under most reasonable projections of future economic conditions, benefit levels determined by the present-law mechanism will be much higher than what is necessary to simply adjust for inflation and will represent an ever-increasing percentage of the new retiree's wages in the year before he retires. For significant numbers of people, the benefits payable just after retirement would approach—and in many cases exceed—their wage levels immediately before retirement. It is this part of the current cost-of-living provisions that the bill reported by the conference committee would change.

The starting point for most proposals for dealing with the current long-term deficit of the social security system is a concept called "decoupling." Decoupling means that the automatic benefit increase mechanism in present law would continue to apply to keep benefits inflation-proof after a person retires and begins to draw his benefits, but the formula for initially determining benefits at the time of retirement would no longer be automatically increased.

Decoupling by itself would make a substantial reduction in the long-term cost of the program but would also cause a significant reduction in the real value of future benefits. In order to forestall a reduction of this nature, the conference committee bill would provide that future benefits be based on "indexed" earnings, rather than the actual earnings that are used under present law. This procedure involves the adoption of a new automatic mechanism for adjusting the formula for computing initial benefits which is designed to keep replacement rates at about existing levels.

The other major adjustment in social security benefits approved by the conference committee concerns the social security earnings limitation test. Under present law, social security beneficiaries who are under age 72 have their benefits reduced if their earnings exceed a certain amount. This is referred to as the social security retirement cost. It is adjusted

annually under present law to reflect changes in average wage levels.

In 1977, the amount which may be earned with no reduction in benefits is \$3,000; it will increase to \$3,240 in 1978 and is expected to increase to \$3,480 in 1979.

Under provisions of the Senate bill, the retirement test levels would have been increased to \$4,500 in 1978 and to \$6,000 in 1979. After 1979, the \$6,000 level would increase automatically as wage levels rise. The Senate bill also reduced the age at which a retired worker may have unlimited earnings to age 70.

The House bill, on the other hand, gradually phased out the retirement test for workers over 65. Under its provisions, the House legislation would have increased the earnings limitation between 1978 and 1981, and then totally eliminated the retirement test for beneficiaries aged 65 to 72. For beneficiaries under 65, the provisions of current law would be maintained.

In resolving the differences between the House and Senate bills, the conferees agreed to increase the earnings limitation for beneficiaries who are over 65 years old and reduce the age at which a beneficiary can have unlimited earnings. The earnings limitation would be increased to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and \$6,000 in 1982. Thereafter, the earnings limitation would be increased annually in proportion to increases in wages throughout the economy. Beginning in 1982, the age at which a beneficiary is no longer subject to the retirement test would be reduced from age 72 to 70. For social security beneficiaries who are under 65, the provisions of present law would continue to be applicable.

3. GENERAL REVENUES

When the social security legislation was pending before the Senate Finance Committee, I proposed that part of the payroll taxes apportioned to support the hospital insurance program be diverted to cash benefits program. This proposal would have prevented the total social security tax rate from going up to such a high level, but it also would have provided the hospital insurance fund with sufficient funding to carry it through the middle of the next decade. In this way, the issue of alternative funding sources for the hospital insurance program could be resolved in the next few years by transferring hospital insurance gradually to the general fund. The same should be done with disability insurance.

In my judgment, a distinction should be made between using general revenues for the hospital and disability insurance programs and using them for the cash benefits program. Cash benefits should and do reflect the earnings of the employee.

Right now, general revenues are used to support a portion of the medical insurance program (part B of medicare). In 1977, general revenues will be used to support 70 percent of the cost of the medical insurance program. And in 1978, general revenues will be used to support about 80 percent of the program.

For these reasons, I believe that Federal general revenues should be used in the future to support the financing of the hospital and disability insurance programs.

WELFARE PROVISIONS

Mr. President, the Senate-passed versions relating to the aid to families with dependent children (AFDC) program. At least one of these provisions—the earned income disregard—would have made a significant substantive change in current Federal AFDC law, specifically concerning the treatment of earned income for AFDC recipients. This change would have had a substantial negative impact on working AFDC recipients.

During the Finance Committee deliberations I opposed the inclusion of any welfare-related provisions with the social security bill. I did this for three reasons: First, because welfare is not in any way related to the financing questions the Congress was attempting to deal with in social security—welfare was not "germane"; second, because an appropriate vehicle for the welfare provisions existed—H.R. 7200, a bill dealing with SSI, AFDC, and child welfare services; and third, because I believe that the Senate should deal with welfare-related matters in and of themselves, not as minor parts of other major legislation which deals with a different subject matter.

The Finance Committee did hold a vote on the question of merging the various welfare provisions found in H.R. 7200 with the social security bill. The committee decided to report two separate bills—one, a social security financing bill; the other a welfare reform bill. The administration supported this approach.

Just before the Finance Committee completed action on social security financing legislation, however, Senator Long and Senator MOYNIHAN together with HEW Secretary Califano developed a compromise package of AFDC provisions, including: Fiscal relief, access to earnings records, quality control incentive payments, and State demonstration projects. Recognizing the need for the States to have some fiscal relief to offset their AFDC costs, the members of the committee accepted this package as part of the social security amendments.

One other welfare provision, which was not part of the compromise, was also attached to the social security bill in committee—earned income disregard.

The House and Senate conferees spent a significant amount of time debating on the Senate's AFDC provisions. The House bill contained no such welfare items, and therefore, the House conferees felt strongly that any AFDC items should not be considered. The Members of the House, however, did show themselves to be eminently reasonable in terms of working out a compromise. I believe the agreements reached by the Senate and House conferees are the best possible, given the circumstances. The conferees took two very important actions. They retained fiscal relief in a modified form and dropped the earned income disregard.

FISCAL RELIEF

The conferees agreed to provide \$187 million in fiscal relief to the States. This relief to the States will be based on a formula which takes into account each State's relative proportion of AFDC costs for December 1976 and each State's proportionate share of general revenue sharing. This formula is designed to recognize the tax and fiscal burdens imposed on the States by welfare costs. In Wisconsin, for example, the State will receive 2.3 percent of all funds appropriated under this fiscal relief provision. The 6-month total to be received by Wisconsin will be \$4,301,000. This is \$374,000 more than the State would have received if the formula had been based solely on population totals.

The Senate bill originally contained \$374 million in fiscal relief. In accepting one-half of this fiscal relief, the conferees agreed that the remaining one-half—\$187 million—should be considered with H.R. 7200, early next year.

EARNED INCOME DISREGARD

The conferees also agreed to eliminate the earned income disregard provision. I did not support this provision in committee, because the treatment of earned income under the AFDC program is a very important issue, an issue that deserves public hearings and thorough review by the Senate.

The rate at which AFDC benefits are reduced for each dollar earned has a very great bearing on the incentive to work. The Public Assistance Subcommittee in the House found this to be a very complicated and controversial issue. Consequently, the subcommittee has not yet been able to design a proposal that would not adversely affect the working poor, that would have a reasonable work incentive, and that would effectively remove any "high income" workers from the roles.

The administration's new welfare reform proposals place special emphasis on the effect that the treatment of earned income has on the work incentive. The Congress needs to focus on this issue in a responsible way in order to make sure that our welfare programs do provide an incentive to work, while not having unintended detrimental side effects.

The House also agreed to accept a noncontroversial component of the Senate bill, the provision enabling the States to have access to earnings records.

ADDITIONAL IMPROVEMENTS: QUALITY CONTROL INCENTIVE PAYMENTS AND STATE DEMONSTRATION PROJECTS

Quality control incentive payments. The conferees agreed to modifications to the Senate provisions concerning quality control incentive payments and State demonstration projects.

Both the House and Senate conferees decided that the Senate provision, which required the States to conduct quality control activities and which established incentive payments to States for reducing error rates on excess payments to 4 percent or less, had to be modified so as to insure a balanced approach to error rate reduction. The conferees felt that

the States should be encouraged to reduce their error rates on all errors—including overpayments, payments to ineligible, underpayments, and erroneous denials and terminations of aid.

Under the provision agreed to by the conferees, the Federal Government will make incentive payments based only on all error rates. The States should take this as a clear signal that underpayment errors and incorrect denials or termination of assistance errors are equally as important and of concern as are overpayment errors.

State demonstration projects. The conferees made several improvements in this new authority for State demonstration projects. Under the conference agreement any State submitting an application to operate such a project would have to, at the time of application, first, make an effective public announcement of their application; second, make copies available to any person requesting a copy of the State's application; and third, accept public comment for at least 30 days.

The Department of Health, Education, and Welfare would be required to immediately, first, publish a notice in the Federal Register of receipt of an application with a summary of the application; second, make copies available to any person requesting a copy of a State's application; and third, receive public comments for at least 30 days. HEW would have a total of 60 days from the time of submission to approve or disapprove the application.

The conferees also specified that any work demonstration project conducted by a State must pay the prevailing wage rates where applicable.

I believe the Senate approach to funding social security was better than the House approach. I regret that we did not accept the House provision for a general fund guarantee of the reserve ratio. I also regret that neither the Senate on House measure began, as we must, to shift the cost of hospital insurance and disability insurance to the general fund.

The PRESIDING OFFICER. The Senator from Illinois.

Mr. PERCY. Mr. President, I would like to take a moment to commend the conferees on what I know has been a very difficult job. Having just returned from touring eight industrial cities, talking to labor leaders as well as business leaders all over the State of Illinois, I know that there is a tremendous concern about this bill. I have never seen so much interest in a social security bill in the 11 years I have been in the Senate. I am sure that this is also true for the distinguished chairman of the Finance Committee, Mr. LONG.

I have strongly supported the 50-50 split between employer and employee contributions. It is fair and equitable, and is the best way to proceed. We all know this extra cost has to be borne someplace. To keep that parity between employer and employee is a wise thing.

It is a wise thing, also, that the increase in the wage base will not take effect until 1979. People are worried about economic recovery next year. Right now,

our economy is in a perilous situation, and we want to give it every boost that we can. To take another bite out of paychecks and employer costs at this stage of economic recovery would not only be inflationary but also certainly hurt the economy.

For that reason, I was particularly glad to hear the President indicate to the business council last night that he intended to confer, I believe today, with the distinguished chairman of the Finance Committee, Senator LONG, about a number of matters.

The President took a position last night at the business council which I was delighted to hear. He feels that we do need a permanent, across-the-board tax cut next year. I hope we can have that just as expeditiously as possible. I hope we do not clutter it up with a lot of debate about reform, which would be highly controversial, and which would delay its passage. We need the stimulant and we need it soon.

I was opposed to the \$50 rebate proposed earlier this year, because it would be temporary. A permanent, across-the-board tax cut will get spending immediately onstream, and I believe people will spend with the confidence that they can count on this income in the future. A \$50 bill to every taxpayer did not really make much sense. I had to oppose that. I will, however, work closely with the committee in supporting an across-the-board cut.

I feel that the earnings limitation has been worked out again in a fair and equitable manner. To lower the no limit age to 70 in 1982 and increase the earnings limitations for retirees 65 to 71 to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and \$6,000 in 1982 offers considerable hope that many of those persons who must work after they retire will not be penalized for so doing.

I am also pleased that the bill takes an action which I have long advocated, which is decoupling. Decoupling corrects a flaw in the present law which entitled some individuals to two cost-of-living increases—one as a contributor to the social security system and one later as a beneficiary. Decoupling cuts in half the projected deficits of the system and makes benefits more equitable.

I commend Senator ROTH for offering the amendment to provide for a \$250 college tuition tax credit. I introduced similar legislation during the 94th Congress and wholeheartedly support this idea. I am satisfied with the conference agreement on this issue, because of my firm belief that Congress will pass a college tuition tax credit bill next year.

I will vote for this conference report. We know this is not going to be a very popular tax increase, but I believe the committee has bitten the bullet. There is no free lunch. There is no easy road. We are going to have to pay for the benefits we receive. I hope every single time we vote another benefit increase we now recognize that there will be a better educated American public as to the fact that someone will have to pay for it. That is why I think the equity, the 50-50 split, is a good thing. The taxpayers in the

end have to pay for it either in inflation or in increased deductions. I believe, therefore, that we have to be extraordinarily careful that this burden be borne equitably.

I again commend the tireless work that the committee and the conferees put forth under the leadership of Chairman LONG, who has had an undue burden and deserves a great holiday this year.

The PRESIDING OFFICER. The Senator from California.

Mr. HAYAKAWA. Mr. President, I ask unanimous consent for my staff member, Jeff Marston, to be granted the privileges of the floor.

The PRESIDING OFFICER. Without objection, it is so ordered.

Mr. MUSKIE. Mr. President, I support the conference report on H.R. 9346, the social security bill.

When this bill was enacted by the Senate, I opposed it due to the costly and unsound amendments that had been added on the floor. These amendments would have deepened the deficit by more than a half billion dollars and would almost certainly have caused the budget ceiling to be reached. I am happy to see, Mr. President, that the conferees have modified or eliminated many of the costly provisions in the Senate bill, so that it now conforms to the assumptions underlying the congressional budget.

I am also pleased to observe that the conference agreement does not provide for any 1978 tax increase above those scheduled to occur under present law. The congressional budget assumed that additional tax increases in 1978 would be avoided in order to prevent a further slowdown in the already sluggish economic recovery in that year.

Congress has to recognize that this bill imposes large tax increases beginning in 1979. These increases, which will total \$78.6 billion through 1983, would, by themselves, undoubtedly have a negative effect on the economy as a whole, which may have to be dealt with by offsetting tax cuts in fiscal year 1979 or later years.

Mr. BELLMON. Mr. President, I have previously stated that special security financing legislation is necessary in order to assure the American people that the social security system is sound. The bill as reported by the conference does correct some serious problems in current law, and at least partially address some concerns which I have expressed concerning the Senate bill. I am especially pleased with the following features of the conference report:

It maintains the remedy for over-indexing of benefits.

It is consistent with the Budget Resolution in that revenue and outlay estimates are consistent with FY 1978 budget assumptions.

It maintains equity regarding the wage base for employers and employees.

It maintains an earnings limitation which is acceptable in terms of costs and which will not primarily benefit those over age 65 with high incomes.

Overall, considering what they had to work with, I feel that the conferees have done an excellent job and I express appreciation to the distinguished chairman of the Finance Committee for this effort. I would be remiss, however, Mr. Presi-

dent, if I did not reiterate some of my concerns that have not been adequately addressed by this legislation:

First, I fear that passage of this bill will take the pressure off Congress and the executive branch to review the benefit side of social security. There is a need for comprehensive review of spouse's benefits and the disability insurance program. The disability program is especially important as it is experiencing runaway costs and is subject to widespread abuse. The interrelationships between social security and the supplemental security program also needs to be examined.

Second, I am concerned about the macroeconomic effects of a tax increase of the magnitude of this bill, particularly when coupled with other congressional action this year. Payroll taxes tend to be treated as a cost of production by business and places a strong upward (inflationary) pressures on prices. Thus, these increased taxes will result in reduced levels of GNP, increased unemployment and higher consumer prices. It will be imperative, therefore, Mr. President, that the Congress take appropriate steps to help offset the macroeconomic impact of this legislation.

Third, I am disappointed that greater consideration was not given to the possibility of using price indexing instead of wage indexing for correcting the overindexing problem. Data compiled by the Senate Finance Committee staff show that if a modified price indexing approach were used, we would need only a modest increase over present law in order to fully fund the social security system. Such an approach might have allowed for a more gradual increase in payroll taxes with more acceptable effects on the economy.

Fourth, I am still concerned that only minimal progress has been made in bringing together the numerous retirement systems financed by the Federal Government. It is essential that immediate steps be taken to correlate and integrate these programs.

Fifth, I do not believe, Mr. President, that the fiscal relief to States provisions in this bill reflect a high priority use of Federal funds. While the amount has been cut almost in half (from \$324 to \$187 million), we still have no assurance that these funds will be used to improve services to AFDC recipients or even used in State welfare programs at all.

Mr. President, as I have indicated, some of the objections which I previously raised concerning this bill have been addressed in conference. Unfortunately, the bill as reported still represents largely a "hasty" fix for social security financing problems. It does not adequately consider the economic and employment consequences of tax increases of this magnitude or possible benefit changes which could reduce future outlays. I intend to introduce legislation in the near future to resolve some of these benefit issues. In view of these facts, Mr. President, I must reluctantly vote against this bill. I realize that the bill will probably pass, and I urge the Finance Committee to give serious attention to the issues which I have raised.

Mr. ROBERT C. BYRD. Mr. President, I ask unanimous consent to have printed in the RECORD a statement by the distinguished Senator from Missouri (Mr. EAGLETON), and the material attached thereto.

The PRESIDING OFFICER. Without objection, it is so ordered.

STATEMENT BY SENATOR EAGLETON

In 1971, I first became aware of what I considered to be an injustice in the Social Security law whereby a divorced woman must have been married for at least twenty years in order to receive a wife's or a widow's Social Security benefit. In my opinion, this is a serious injustice because a woman who is married less than twenty years may have spent most of her prime working years in the home taking care of the family, and as a result would be left with either no Social Security protection or a very meager benefit based on her own earnings. The law seems especially inequitable in view of the fact that a married woman may become entitled to a wife's benefit only after one year of marriage or to a widow's benefit after having been married for a minimum of nine months.

Therefore, in the 92nd, 93rd, 94th, and 95th Congresses, I introduced legislation that would reduce from twenty to ten years the period of time that a divorced woman's marriage to an individual must have lasted for her to qualify for wife's or widow's benefits. Unfortunately, none of my bills were enacted into law by Congress, but I'm happy to note that the aim or intent of my legislation is included in the Social Security Financing bill that we are presently considering. Therefore, I want to commend the House and Senate conferees on the inclusion of this important provision in the compromise agreement.

Having said that, I want to publicly state my overall displeasure with the high tax increases contained in this compromise bill. I am afraid that this bill raises Social Security taxes beyond the breaking point for the average American worker and employer. In addition, I am also very concerned as to what effect this legislation will have on our nation's unemployment and inflation rates. As my colleagues know, I strongly agree with President Carter who suggested pumping general revenues into the Social Security trust fund in times of high unemployment. However, since Congress did not go along with this proposal, it will now apparently be necessary for President Carter to propose to cut income taxes next year to compensate for this increase in Social Security taxes.

The net effect of this action is that general revenues will be diminished by the amount given back to the taxpayer in the form of a rebate or credit on income taxes, and the money collected from the wage earner in payroll taxes will be deposited into the Social Security trust fund—I submit that this is general revenue funding of the system in a very round about way. The effect of this action on our nation's economy is very uncertain, needless to say. I would like to draw my colleagues attention to an article which appeared in the New York Times of December 13th written by Tom Wicker, entitled "Payroll Tax—Up, Up, Up". The article by Mr. Wicker clearly articulates some of my deepest concerns with this legislation. Because Mr. Wicker's article is so relevant I would like to share his wisdom with my colleagues.

The article ordered to be printed in the RECORD is as follows:

PAYROLL TAX—UP, UP, UP

(By Tom Wicker)

President Carter seems eager for House-Senate conferees to break their deadlock on the minor issue of a college-tuition tax credit so they can send him a finished Social

Security bill in this calendar year. But the American people would be better off if the deadlock lasted long enough for this massive tax bill to be recognized for the economic disaster it is. For example:

Long-term tax increases totaling \$227 billion dollars would be imposed in regular steps between 1979 and 1987. Note that the Congress that voted this body-blow to the American wallet prudently put off the first of the increases until after its members try to get themselves re-elected next year.

These payroll tax increases are regressive and severe. Under current law, a worker paying the maximum tax in 1979 would have been hit for 6.0 percent of the first \$18,900 of his earnings, or \$1,134.45, which is bad enough; under the new bill, a worker at the maximum would pay 6.13 percent on \$22,900, or \$1,403.77, in 1979. How does a new one-year tax bite of \$260.32 grab you?

By 1987, workers and employers will be taxed at 7.15 percent on the first \$42,600 of income—\$3,045.90 at the maximum. Thus, over the life of the bill, the payroll taxes of persons paying the maximum will be nearly tripled, as will the matching taxes of their employers.

The increases are inflationary, since it is an established economic fact that most employers pass on payroll tax increases to the consumer via higher prices. Thus, Congress has voted strong upward pressure on the price level in each of the years from 1979 through 1987.

Despite the general inflationary effect, in some cases the bill might also work against employment. Some employers might either not hire new hands or reduce their work forces as a hedge against increasing employment costs.

In addition to these effects on inflation and employment, the payroll tax increases will cut heavily into workers' buying power. At one and the same time, Congress has managed a bill that will depress the economy and fuel inflation.

President Carter's plan to cut income taxes to compensate for these effects, even if passed, won't necessarily help that much. Annual income tax reduction will certainly not stop employers from passing weekly and monthly payroll tax increases to consumers; and whether payroll deductions for income taxes can be reduced sufficiently to maintain buying power remains to be seen. Remember that Social Security comes "off the top" of the worker's weekly check, an income tax refund at the end of the year won't put food on the table day by day.

Some may ask, "But what could Congress do? How else could it save Social Security?" Well, it could have "saved" Social Security by doing what other industrialized countries do—feeding general fund revenues into tripartite system supported by employers, employees and the general revenues for 25 to 45 percent of their social insurance funding; West Germany has been using 15 to 33 percent general funding since 1891 (I am informed by Alfred Kutzik of the University of Maryland at Baltimore).

Most of the planners of the American Social Security originally envisioned, when doing their work in the 1930's, that sometime in the 1960's it would become necessary to put general fund revenues into the system. What's more, the Federal Government has been matching all medical insurance contributions, to the Medicare system since 1965. Where's the difference in principle? Yet, Congress remains wedded to the myth that to support Social Security with general revenues would convert it to "welfare."

Mr. Carter must know that's poppycock. He proposed unsuccessfully that in years when unemployment exceeds 6 percent, the Treasury should contribute the difference between Social Security taxes actually collected and what they would have totaled at

6 percent unemployment. His later proposal to lower income taxes in compensation for higher payroll taxes would indirectly divert general funds to Social Security financing. Even the original House bill provided for automatic Treasury loans to the Social Security trust funds if they fell below 25 percent of annual outlays; but this sensible beginning step toward general funding did not survive.

Mr. Carter nevertheless is eager to claim the "rescue" of Social Security as a legislative achievement. Since the system is in no immediate danger (whatever alarmists say), payroll taxpayers might welcome instead a veto of this huge, inflationary tax increase and a new start next year.

THE SOCIAL SECURITY FINANCING LEGISLATION,
H.R. 9346

Mr. THURMOND. Mr. President, I rise today as a strong supporter of the social security system. In these past months we have been faced with the difficult task of determining the best and most lasting way to sustain the retirement program on which millions of Americans depend.

After numerous hearings and extensive debate we have all come to realize that we have only two choices: We can retain the current financing mechanism, which has proved inadequate in the face of inflation, unemployment, and growing retirement rolls; or we can vote to maintain a financially stable retirement fund through substantial tax increases on many hard-working, over-taxed Americans. After considerable thought, I have decided to vote for the social security financing bill, as a lesser of evils.

In the past a vote for social security legislation has come much easier for many Members of this body. This is the first social security bill which has not been centered on increasing benefits for retirees. However, I consider my vote on this social security bill to be one of the most important I have cast on this subject.

The financial condition of the social security system demands immediate and substantive action. If the Senate rejects this reform proposal in order to retain the status quo, it will indicate to all Americans that, while we recognize the urgency of the social security problem, we are not willing to take the necessary steps and make the hard decisions involved in providing an adequate remedy. Both the social security system and the economy in general would feel the damaging effects.

Mr. ROTH. Mr. President, there is no question that action must be taken to restore financial stability to the social security system. Social security is the first and major ingredient for financial security for most of our senior citizens, and it is absolutely necessary for steps to be taken to restore solvency to the system.

However, I am seriously concerned that this legislation is not the right answer to our social security problems.

It is important to recognize that the solvency of the social security system will not be threatened until at least 1982—5 years from now. A more orderly consideration of this legislation will have no impact on the stability of the social security system and will not affect the benefits of any social security recipients.

I do not believe the Congress spent

enough time on this legislation to adequately consider this bill or to explore the whole range of alternatives.

For example, I proposed an amendment to use a portion of any new tax revenues to help the social security system. This amendment could have allocated billions of dollars to the social security trust fund, and reduced the need for social security taxes proportionately.

There are more than 100 million people paying taxes to support the social security system, and my amendment would have provided some tax relief to all of them while still restoring financial stability to the trust fund.

Instead, Congress is settling for a quick-fix of social security by imposing billions of dollars of tax increases on the working men and women of this country.

This bill imposes an additional \$227 billion in taxes over the next 10 years, tripling the taxes imposed on the average middle-income worker.

These increased taxes on workers will reduce consumer purchasing power and put a tremendous additional burden on the economy.

In addition, the increased taxes on employers will be passed along to consumers in the form of higher prices.

The net result will be that consumers will have less money to pay for higher-priced consumer goods.

I am seriously concerned that the increased social security taxes, combined with the increased energy taxes, will have a devastating impact on the economy.

This increased tax burden will slow the economy down, resulting in increased inflation and higher levels of unemployment.

I believe Congress must live up to its commitment to our senior citizens. But I fear the higher tax burden will erode the public's support for the social security system.

Mr. WALLOP. Mr. President, the Senate and House conferees of the social security financing bill have worked diligently to reach a compromise. Although their hard work is to be commended, I must voice my disagreement with their decision to delete amendment 1058 from the bill. This amendment would repeal section 224, the workmen's compensation offset provision of the Social Security Act (42 U.S.C. 42a).

In their effort to cut the cost of the social security bill, the conferees deleted an amendment which would correct a gross inequity in the treatment of a minority of disabled workers. Under present law, a worker's monthly social security benefits must be reduced if he is also receiving workmen's compensation. Disabled workers and their families under workmen's compensation are the only category of social security beneficiaries whose benefits are reduced, because of the receipt of nonwork income.

The Finance Committee agreed to accept this amendment, indicating that the committee recognizes the injustice of section 224 and the need to change this law. In the coming year, the Finance Committee intends to examine various aspects of the social security dis-

ability programs. I request that the Finance Committee hold special hearings on section 224 and the unintended inequities of this provision. Their efforts to investigate this problem and draft corrective legislation will benefit thousands of disabled workers and end the discriminatory treatment of the workmen's compensation offset provision.

Mr. HATHAWAY. Mr. President, I urge my colleagues to support the social security conference report. No one likes to vote for higher taxes, particularly this bill which has been labeled "the largest peacetime tax increase." I know that it is not popular. However, those entrusted with national office must make the difficult decisions. We must look beyond the next election to the next generation.

The social security trust funds are seriously depleted. If this Congress takes no action, the Old Age and Survivor's Fund will be bankrupt by 1983. The Disability Fund will be bankrupt by 1979.

There is no question that there are huge additional taxes imposed by this bill. However, the trust funds are now in surplus until at least 2030.

We cannot renege on the promises and commitments which have been made to those who are retired and those who will retire.

Acceptance of the conference report will keep faith with the American people.

In a Louis Harris poll which was recently released, 55 percent of the American people felt that "Congress is showing real courage in asking that taxes for social security be raised sharply to save the system." Thirty-one percent opposed the tax increases and 14 percent were undecided. I believe the American people are committed to a social security that provides basic financial protection for the elderly and disabled.

If this is classic liberalism, then I am proud to wear the label liberal.

The system must be protected. As one example, in the State of Maine, 1976 outlays to the State totaled \$1.738 billion. Total General Retirement and Disability Insurance, in other words social security, totaled \$413 million. That is almost 25 percent of the Federal payments to the State and its residents.

I do not believe that we can allow the people of Maine to lose these essential benefits. Consider these facts:

Close to 20 percent of the population in Maine are living in poverty or near poverty conditions.

Maine has consistently ranked as one of the lowest average states in per capita income. Most recently, for the period 1973 through 1976, Maine has ranked 43rd, 45th, 42nd, and 44th in per capita income. That is to say, only six other states had lower per capita incomes and these were predominantly Southern states.

Unemployment rates in Maine, historically and consistently, have been greater than the national average. Recent data, for June of 1977, indicated a national unemployment rate of 7 percent; the rate was 9.7 percent for Maine and five of the sixteen counties had unemployment rates in excess of 13 percent.

I cannot watch time and money run out on these people. Social security is essential and I will vote for the taxes to cover the programs which we enact.

I will say in all candor that this bill is not my first choice. I favored general revenue financing initially since I believe it is more progressive. Payroll taxes bear most heavily on those least able to afford them. However, the Senate Finance Committee members did not agree with me.

I then pursued the approach developed by my good friend and colleague Senator NELSON to move toward wage-base disparity. I believe that this cushions the shock on employees, particularly the lower and middle income worker and insulates the small businessman from the steep wage and rate increases which are necessary as we retain parity. The Senate supported this improvement in the social security financing system. But the armies of big business and the legions of the high income employees convinced the House and disparity was rejected.

Either general revenue financing or disparity in wage base would have been preferable to the bill before us.

Another point needs to be made. There are some who will vote for the benefits; for example, repealing the retirement earnings test; yet refuse to vote the taxes to cover that benefit. These are the politicians with an eye on the reelection. I believe the Members of the Senate have greater vision.

I believe the American people support the social security system. I believe that they will accept the taxes necessary to pay for that system. I believe that my colleagues will vote to support that system through the conference report now before us.

Mr. MORGAN. Mr. President, I do not rise in opposition to the conference report on the social security bill, because I do not feel that such an approach would be constructive at this time. The provisions of the bill itself have been fully debated in both Houses of Congress and elsewhere, and it would serve little purpose to go over them again. But I do

want to reiterate my objection to our entire approach to social security financing, because I believe it has led to a stop-gap bill, which will not do the job. I believe we will be back in 5 years or so to consider more social security financing amendments, despite the fact that the bill we have passed is being sold, nationwide, as a long-term solution to the system's problems.

The biggest step forward that we can take is to stop treating social security as a political football, and to stop engaging in misleading rhetoric as to the purposes and problems of social security. Many people believe social security to be a supplementary pension, while in reality it is more of an insurance plan, the purpose of which is to provide some basic security for the elderly and disabled. This is a significant difference, leading to different policy decisions regarding benefit levels and eligibility, mandatory coverage and financing.

Two aspects of our approach to the social security problem especially trouble me. One concerns the costs of the system, which are rising at almost double the rate of inflation even after the enactment of this bill. This I will return to later.

Another serious problem is the economic and demographic assumptions used for the bill. The following assumptions were used by the Senate: A birth-rate of 2.1 children per woman, and a rapidly improving economy reaching 5 percent unemployment, 4 percent annual inflation, and a 1.75-percent increase in real wages by 1983. I ask unanimous consent that the following chart, drawn from the Finance Committee's background material relating to social security, which sets forth these assumptions in detail be entered in the Record at this point.

There being no objection, the chart was ordered to be printed in the Record, as follows:

Calendar year	Percentage increase in average annual—			Average annual unemployment rate	Total fertility rate ²
	Wages in covered employment	CPI	Real wages ¹		
1977 -----	8.4	6.0	2.4	7.1	1,709.9
1978 -----	8.1	5.4	2.7	6.3	1,685.9
1979 -----	7.8	5.3	2.5	5.7	1,662.0
1980 -----	7.1	4.7	2.4	5.2	1,662.9
1981 -----	6.4	4.1	2.3	5.0	1,688.8
1982 -----	6.0	4.0	2.0	5.0	1,714.7
1983 -----	5.75	4.0	1.75	5.0	1,740.5
1984 and later -----	5.75	4.0	1.75	5.0	³ 2,100.0

¹ Expressed as the difference between percentage increases in average annual wages and average annual CPI.

² Average number of children born per 1,000 women in their lifetime.

³ This ultimate total fertility rate is not reached until after 1984.

SOURCE.—Senate Finance Committee, Background Material for Social Security, June 1977, page 95.

Mr. MORGAN. If the Nation holds to these goals, I will be pleased. It certainly would be a big improvement over what we have now. But I am not at all sure we will. We are betting on the success of the economic policies we certainly cannot

count on as being effective, and we ignore factors beyond our control, such as the increase in the price of oil we have experienced. At stake is the solvency of the social security system.

If any of our economic assumptions are

just a little too optimistic, the result, will be both increased costs and lower revenues for social security.

If we take a slightly less optimistic estimate of 5.5 percent unemployment and 5 percent annual inflation in 5 years, an estimate that is well within the range of possibility, the social security system will be about \$50 billion poorer than what we now project in 10 years. So much for our long-term solution.

The past history of such economic projections as those we have used show a discouraging record. Beginning in 1973, the projections have been revised downward, that is, made more pessimistic, until this year. But this year, when Congress was finally deciding it had to take some action, all of a sudden the projections became more optimistic. By using more optimistic projections we understate the problem we are dealing with, thus making it easier to find solutions.

I might have been able to accept these optimistic estimates, if we had a safety factor incorporated. Such a safety factor used to exist; it was about equal to 0.375 percent of taxable payroll. But in 1974 it was dropped. Why? The absence of such a basic precautionary step disturbs me. When coupled with clearly optimistic projections, it is very, very worrying.

Unjustified optimism stands out clearly when one examines the birth rate figures. Last year, an estimate of 1.9 children per woman was used. This year the figure was revised to 2.1. Why? The birth rate in this country has been declining for more than 100 years, and now stands at 1.7. I understand that many experts consider the current level an aberration, and believe it will begin to rise in the near future. But will it rise by 25 percent?

If the assumption that our birth rate will suddenly soar proves false, there simply will not be the work force we are counting on to support the social security system.

We also have to begin to worry about controlling costs. We not only have to worry about current cost projections, but we must stop piling burden upon burden on the system.

Congress has 10 times expanded the eligibility for social security and increased benefits. Seven of these ten times have occurred in election years. We had better realize, with an election year coming up, that every benefit increase requires a corresponding tax increase. We should declare, as the policy of the Senate, that no future benefit increase will be approved unless there is a corresponding tax increase.

We must also be concerned about the costs under existing law. Social security costs are, according to the Finance Committee, going to rise by at least 10 percent annually over the next several years, almost double the inflation rate. There are ways to reduce these costs that are worth considering.

Social security pensions are now, when compared to wages, 35 percent higher than they were in 1972. We might consider using a price-indexed formula instead of a wage-indexed one. A formula of this type would protect the benefits against inflation, but would slowly reduce the replacement rate, that is, the per-

centage of benefits as compared to pre-retirement wages. A price-indexed formula of this type need not be permanent. It need only be maintained as long as necessary to make benefits reasonable.

Another possibility is to transfer some of those benefits that bear little relation to contributions out of the social security program. Benefits that do not really relate to contributions include medicare, spouse and dependent benefits, disability insurance, and portions of the formula concerning pensions. These programs are valuable, they serve a good purpose, but they do not belong in the social security system.

Social security was developed to be and was sold to the Nation as a supplementary retirement program. But with the many additions that have been made to social security, the retirement emphasis has suffered. What I am proposing is that we once again emphasize the retirement aspects. The only way this can be done is by reducing the number of functions the social security system itself is supposed to fulfill.

Another approach the Senate should examine is to expand coverage under the system. Social security is a program that serves the general welfare; can we justify excluding large groups of people? Can the system survive if everyone is not included?

But of all the exemptions from social security, the one that stands out is our own. This must be immediately rectified, and I have introduced a bill that would bring the legislative branch into the system. It is not right that those who set the policies of the program, that those who have created it, do not take part. If we are not prepared to join social security, how can we force our constituents to?

In conclusion, I would like to stress how important it is that the Senate take a good, hard, look at the social security system. We need to examine it in every aspect. Social security may be the most important program the government has. Thirty-three million people receive the benefits, and three times that number are currently paying into it, in the expectation of receiving the benefits in the future. We have an obligation to all these people to do a good job at running social security.

We have to come to explicit conclusions concerning the purpose of social security and how we expect it to develop. We have to face and deal with the problems of the system besetting social security. If we do not do this on our own initiative, the problems of social security will be back with vengeance.

Mr. STENNIS. Mr. President, while I had grave reservations, I voted for the social security financing bill when it passed the Senate. I still have serious questions about this matter but I will vote to adopt the conference report which is now before the Senate.

My vote in favor of this legislation was and is dictated by my concern for the immediate solvency and financial integrity of the system. While the long term prospects of the system under existing law are very pessimistic, we are now confronted by the immediate problem that under current financing provisions

and circumstances the social security trust funds almost certainly will be exhausted in the early 1980's. The pending legislation is primarily directed to this immediate problem.

The bleak financing difficulty which social security faces primarily arises from two important factors. In the first place, the number of active workers who are paying taxes to support the system is steadily declining in proportion to the number of beneficiaries. There are now 31 retirees per one hundred taxpaying workers and, shortly after the turn of the century, this will rise to more than 50. Since social security benefits are now being paid from current contributions, it is apparent that the increase in the ratio of beneficiaries to contributing workers necessarily calls for a prompt increase in employer and employee contributions if we are to prevent the system from collapsing of its own financial weight.

The second factor which contributes to the financial problem is the feature of the 1972 law which results in a double adjustment to or double indexing of inflation in determining the amount of benefits to be paid. This indexing problem is being eliminated as far as future retirees are concerned by the pending legislation. I am glad that this necessary corrective action is being taken.

Nevertheless the problems which have accumulated in the past have brought us to the point that we must vote heavy new taxes on both employers and employees to prevent the collapse of the system in the near future. It is on this basis alone that I will vote for the conference report. My support rests solely on the clear and essential need to take immediate action to shore-up the system financially.

When the social security bill was before the Senate, I voted against all proposals to add new benefits or to increase existing benefits. I continue to oppose this. Therefore, I am pleased that the bill we are now considering provides no new benefits or general increase in benefits although it does increase the amount which retirees may earn without suffering a loss in payments.

I am also gratified that the conferees agreed to stick with the traditional parity between employer and employee contributions. I believe it would be a serious mistake to depart from the traditional concept that the burden of financing social security benefits should fall equally on employer and employee. While the prospect of requiring the employer to contribute more than the employee might seem attractive on the surface, I believe that it would have negative, unpleasant, and undesirable results in the long run.

The conferees also acted very wisely in ruling out any resort to the general fund of the Treasury to bolster or bail out the system. If we should ever authorize such resort to the general fund this action would assuredly come back to haunt us. We can be certain that once the precedent of raiding the Treasury to finance social security benefits was established the practice would snowball with the result that it would not be too long before we have a welfare rather than a retirement system.

I sincerely regret the necessity of imposing this new and heavy burden on the working people of this country. I voted for the bill only because of the imperative necessity to infuse the system with new financing or see it collapse. The alternative of raising contributions is unpleasant but it is the one course which will keep the system afloat.

There is one matter that I would emphasize very strongly as we consider this conference report. In effect the social security program is now on a pay-as-you-go basis. From this should arise the recognition that the added taxes which we are in the process of imposing are in the nature of a quick fix; all they will do is to pay for benefits provided by existing law. They are not adequate to pay for new or expanded benefits that may be voted in the future. It is imperative that this be fully understood.

When we recognize this, Mr. President, I believe that we will also recognize the great need for present and future restraint in this area. If this is not done then the solvency of the system will almost certainly be again placed in jeopardy in the future. This must not happen.

I say with great emphasis that it is my profound hope that it will be clearly understood that the increase in funding we are now considering will finance only the benefits the law now provides. There is absolutely no room to add or increase benefits without additional funding. It inevitably follows from this that any increase in benefits, expansion of coverage, or new benefits that the Congress may vote in the future must be funded by increases in contributions adopted at the time the new or additional benefits or coverage is provided. In short, Mr. President, all future legislation providing new or added benefits should contain the revenue increases which are necessary to insure that it will pay its own way.

Voting future increased or added benefits without at the same time financing them adequately would be counterproductive at best. At worst, it would sow the seed for the system's self-destruction. I hope that this will be clearly understood by this and future Congresses.

Mr. RIEGLE. Mr. President, it is with the greatest reluctance that I feel I must vote today against the conference report on the Social Security Amendments of 1977.

This bill amounts to the largest peacetime tax increase in U.S. history in the most unfair tax we have. Under the conference bill, social security payroll taxes will increase by \$227 billion over the next decade. This tax increase will retard our country's economic recovery, increase both unemployment and inflation, reduce the income of wage earners, and hurt many small businesses. Contrary to some people's belief, the conference bill will not restore the long-run financial soundness of our social security system. Finally, there are other alternatives that can solve the long-term and short-term financing problems of our social security system without unfairly hurting lower and middle income persons and our Nation's economy.

I am first concerned about the unfairness of vast increases in a payroll tax that violates the basic principles of tax equity. Taxation should vary according to ability to pay, yet the social security tax is set at a flat percentage rate, up to a maximum wage base. Individuals making more than the wage base are still taxed on the wage base, and so end up actually paying less as a percentage in social security taxes than lower income persons. Under the conference bill, for example an individual making \$100,000 in 1987 will pay only 3 percent in social security taxes, while someone earning \$10,000 would pay over 7 percent. Furthermore, the payroll tax does not consider how many dependents a wage earner has, or any special medical or economic problems—the tax is set at the same percentage rate regardless.

Because it uses an unfair tax, this conference bill lays a greater than needed added tax burden on low and middle income persons. A wage earner making \$10,000 now, for example—and who, with inflation, would be making about \$18,000 in 1987—will see their social security taxes go from \$585 this year to \$1,331 in 1987—almost a 150-percent tax increase. If the Government is asking for tax sacrifices from middle-income Americans to keep the social security system solvent, the Government must at least ease the tax burden for lower and middle income persons by using a fair, progressive tax, and not the payroll tax.

I am also deeply concerned about the impact of this \$227 billion tax hike on our sluggish economic recovery. Unemployment has not dropped over the past 8 months, remaining at the high rate of 7 percent. The rate of growth of our Nation's economy declined from 6.2 percent in the second quarter of this year to 4.7 percent in the third quarter. And yet at this time, with energy taxes and prices sure to increase soon with the President's energy bill, we are proposing to increase payroll taxes in 1979 and beyond by over \$200 billion. This is hardly likely to stimulate the confidence—and spending—by consumers and businesses that we need to get our economic recovery moving, and get more people back to work.

By increasing payroll taxes for both employers and employees, the conference bill directly increases employers' labor costs by a vast degree. This amounts to an "Anti-Employment Tax," encouraging businesses to substitute machines for people whenever feasible, and discouraging businesses from hiring additional employees. Large corporations with enough demand for their products will try to increase their prices to cover their higher labor costs, leading to a higher rate of inflation. On the other hand, many labor-intensive businesses—often small, marginal businesses operating in economically depressed communities—will be unable to pass on these additional labor costs. Some will go out of business, increasing unemployment in many economically depressed larger cities and smaller communities.

Mr. President, maintaining a financially sound social security system paying adequate benefits is of the highest

priority for me. The current bill, however, is simply a stop-gap measure for the next few years, and does not deal with the long-range financial problem. Under the conference bill, our social security system will still be short over the next 75 years by about 1.5 percent of taxable payroll of what is needed to pay future social security benefits. Furthermore, the bill achieves this much only by cutting back on future benefit increases. Under this bill, senior citizens will receive about \$400 million less in benefits in 1978 than they otherwise would have, and about \$3 billion less in 1982 than they would under current law.

If we want only a short-range solution for the social security financing problem, there are many better alternatives. Funds could be transferred from the old age and survivors' fund to the disability fund, which faces the most severe short-term financial problem. Or money could be transferred from the currently ample hospital insurance fund to both the old age and disability funds. Another possible alternative is President Carter's proposal to put enough general revenues in the social security funds to make up for the revenue short-fall when unemployment is high and payrolls are low, as they are now. I strongly support this move to begin to use some portion of general funds to finance shortfalls in social security revenues. All of these alternatives would help keep the funds solvent for several years into the future, giving us ample time to develop and sounder and fairer long-term financing solutions.

Over the longrun, we should be moving to finance a portion of social security out of general tax revenues. Although our general tax system has many shortcomings and loopholes, and desperately needs reform, it is still much more progressive and fair than the social security tax. Furthermore, with the general tax system we have the advantage of not being forced to artificially encourage, regardless of economic efficiency, the use of machines by business over the use of labor, as we are with social security taxes.

Finally, by funding a portion of social security out of general revenues we can alleviate an unnecessary conflict between needy senior citizens and hard-pressed middle and lower income wage earners—both of whom have pressing needs that we should recognize. There will always be conflicts between different national goals, and we will always face the constraints of limited resources. But the present system artificially forces us to choose between increasing our present inadequate social security benefits, and preventing further increases in an unfair tax on lower and middle income wage earners. Both senior citizens and middle-income persons would be better served if a portion of social security was funded out of general revenues.

Mr. President, I fully realize that in all likelihood the conference report will pass Congress and be approved by the President. But in all good conscience, I could not vote for an unfair tax increase that hurts our economy without resolving the basic problems of financing our social security system. The present bill serves neither the interests of senior citizens

nor the public as a whole. We need to make many reforms in our present system of financing social security, and I hope the Congress will look more favorably in the future on the changes I have suggested here today.

Mr. BARTLETT. Today we have passed a revision to the social security financing provisions which will have a heavy impact on both employers and employees into the next century. Although the bill addresses many other matters, its main impact will be as a tax increase proposal. This, when coupled with the already pending energy tax proposals, will amount to the largest tax increase the American taxpayer has been subjected to in 1 year.

There are obviously a number of beneficial provisions in this bill, however, they do not overshadow the impact of the legislation, and are not of a significant enough nature to allow me to support the legislation.

I would like to congratulate the conference committee for its efforts, and point out some of the essential measures that are beneficial:

First. The decoupling provision which was necessitated by previous error on the part of Congress.

Second. The provisions to analyze the discriminatory measures that are presently contained in the system in order to treat men and women equally under the Social Security Act.

Third. The expansion of the earnings limitation provision. Although I have earlier sponsored legislation to completely remove this provision, and I still feel that there is absolutely no necessity to penalize the senior citizen for attempting to earn additional money, the provision to ultimately increase the earnings limitation to \$6,000 is a step in the right direction.

The social security system has become the resting place of many programs which are not related to the original intention of assisting senior citizens after retirement. There are many programs which are more related to our social welfare system which have been included under the social security program. It is my belief that to adopt the significant tax increases contained in this legislation without addressing the whole array of benefit programs under social security is sheer folly.

Before we raised the taxes on employers and employees, we should have considered separating out these programs, and making the citizens of this country aware of what they are actually paying for, and who is receiving the benefits.

With this full and complete identification, a substantive debate could have gone on, both in the appropriate committees as well as on the floor of the Senate, and determinations could have been made as to whether certain benefits should have been removed from the social security program, or whether in fact some benefits should be available at all.

There is one interesting example within this legislation of a program which might be far more detrimental to the system, if adopted, than anything we have done so far. This is the study to determine the effect of universal cover-

age. I do not single this out as the only problem with the legislation, but it is an example of an assumption that has continually been made as to the application of the social security system.

Congress has continually felt that the best direction of the system was to include ever-increasing numbers of previously uncovered employees.

Perhaps the reverse would be more effective. For example, should a Federal retiree, who enters the private sector, thereby becoming eligible for social security benefits, be allowed to draw social security, or even be required to contribute to social security while employed in the private sector.

Certainly the inclusion of Federal, State, and local employees under the Social Security Act would cause an immediate influx of cash to support the system, but it would also drastically increase the number of eventual eligible recipients. This continually expanding universe of recipients has been one of the contributing factors to the fiscal instability of the existing program.

As I stated at the time of the original consideration of this bill by the Senate on November 4, and as I have already pointed out in this statement, the benefits of this legislation do not overshadow the major problem. The tax increase flies in the face of general public attitudes about the system. It in no way resolves the basic problem of ever-increasing demands.

Mr. STEVENSON. Mr. President, unfortunately, the conference committee report perpetuates the popular misconception that social security is a funded pension or insurance annuity system. It is not. It is a system whereby the working population is taxed to pay for the benefits received by retired persons who previously paid social security taxes. Each working generation thus technically "earns" the right to future benefits; however, those future benefits can only be funded from taxes levied on succeeding generations of employees and employers. The taxes called for by this report are so onerous that we could see a day when future generations are unwilling to bear this burden or when the dollars required to support it are so inflated as to be meaningless.

The social security system must be funded adequately. That system is now an income transfer system, and, as such, it should be funded in part from general revenues. The reasons for doing so are compelling.

From an economic standpoint, increasing payroll taxes is the worst way to fight inflation and unemployment which continue to plague our economy. Employers will pass forward increased payroll taxes to the consuming public and will have even less incentive to hire workers, especially at lower economic levels where the unemployment problem is most tragic. Unemployment is now at a level of 40 percent for black youth. First the Congress failed to pass a youth differential minimum wage, which I and other of my colleagues sponsored, and now we raise payroll taxes making it even more expensive to hire marginal workers. I thus find it difficult to equate our rhetoric about reducing unemployment with the

two most significant economic measures we have passed this year—the minimum wage and social security bills.

In the next few years the public will realize the crushing tax burden this bill imposes, and the subject will be back. It is a shortsighted Congress that acts irresponsibly this year in order to avoid irresponsible action next year, an election year. That is the only explanation for the haste with which this legislation has been approved, and it is not satisfactory. Next time, and it will not be far off, the Congress should act more deliberately and with foresight and fund social security in part from general revenues, or by other means that are not damaging to the economy and American workers.

TAKING SOCIAL SECURITY TO DEATH

Mr. HATCH. Mr. President, I realize that many of my colleagues today will vote for this massive increase in social security taxes thinking that they will be saving the system. We seldom make things worse purposefully. The harm we do follows from good intentions that are not thought out. We are simply sitting here thinking that the social security system needs more money, so if we raise the taxes there will be more money for social security. Unfortunately for the American people, this line of reasoning is wrong. The amount of money available for social security payments is not a function only of the tax rates, but also a function of the number of jobs in the private sector that are paying into the system. We cannot increase the social security tax on employment by \$227 billion over the next decade, as we are about to do today, without substantially reducing the number of new jobs that will be created over the next decade. The result of this massive new tax on employment will be fewer people paying in. We are going to have a system of high rates paid by few people, instead of low rates paid by many people. Instead of breathing new life into social security, we are taxing it to death.

Joint Economic Committee staffers have computed that this \$227 billion increase in taxes will mean that the economy will grow over the next decade by \$345 billion less. What we are doing here today means a loss of \$345 billion in GNP over the next decade. What does it mean in terms of jobs and wages to lose \$345 billion in GNP? If all of the lost GNP comes out of jobs, it means that the next decade will see 19 million fewer new jobs. That means 19 million fewer people paying into social security. On the other hand, if all of the lost GNP comes out of wages, it means that the average job will pay \$2,760 less than otherwise. Obviously, some of the lost GNP that this tax increase will cause will come out of new jobs and part out of higher wages. If the burden of this tax falls half on new jobs and half on pay raises, it means about 10 million lost jobs and \$1,380 less pay raises per job.

Mr. President, you cannot increase taxes on employment and wages and expect to have the same amount of employment and wages. If factors of production responded to taxes in this way, the Government could raise an infinite amount of tax revenues without reducing

the production of anything. It would be utopia.

Existing social security tax rate increases already scheduled will raise the taxes on employment by \$2.5 billion a year starting in 1978. On top of this we are piling an average of \$25 billion more a year for a decade. For many people, social security taxes will triple in the next 10 years. Even people who face more modest increases will be badly hurt, because, for many families, social security taxes are already higher than their income taxes, property taxes, or sales taxes.

These enormous tax rate increases will drive an even larger tax wedge between what a firm must pay to hire a worker, and what that worker gets to take home. This tax wedge increase will discourage both hiring and work effort. It will discourage hiring by raising labor costs. It will discourage work effort by reducing the amount of any overtime pay or wage increase that a worker will be allowed to keep.

The combined effect of these impacts will be to reduce jobs and GNP. Less output will in turn mean higher prices. And higher prices will mean higher taxes, less saving, less investment, less job formation, and so on. The whole process that we are setting off today will produce a higher rate of unemployment that will further undermine the social security system.

I am in favor of social security. But I am not in favor of unemployment. We cannot strengthen social security by increasing unemployment.

The Senate is going to make a bad mistake today, and there is no reason to make it. If instead of raising taxes on employment, we reduced taxes on employment, we would generate enough new growth in GNP that we would not need to raise the social security tax rates. We would not have to do anything but raise the ceilings on the income to which the tax is applied at the same rate that the economy grew. We would not, as we are doing today, have to increase social security taxes as a percent of wages.

The way to save the social security system is to make it more profitable to hire and to work, not less. This Congress has got to learn that when we raise taxes, we also generate disincentives throughout the system. These disincentives reduce the base on which the tax is levied, so we do not get the revenues we expect. On the other hand, when we reduce tax rates, we produce new incentives throughout the system. These incentives make the tax base grow, so we get more revenues than we expect.

Mr. President, I have to vote against this measure to raise the tax on employment by \$227 billion, because I believe this measure will seriously damage employment, the economy, and the social security system.

Mr. President, no one who understands the disincentive effects of tax increases, and who also believes in the social security system, as I strongly do, can possibly vote in favor of this measure. It is because I am a strong supporter of social security that I am forced to vote against this measure that will reduce

greatly the number of working people paying into the system.

The PRESIDING OFFICER. The question now is on agreeing to the conference report. The yeas and nays have been ordered, and the clerk will call the roll.

The legislative clerk called the roll.
(Senator HODGES assumed the chair.)

Mr. STEVENSON. Mr. President, on this vote, I have a pair with the Senator from Washington (Mr. MAGNUSON). If he were present and voting, he would vote "aye." If I were at liberty to vote, I would vote "nay." Therefore, I withhold my vote.

Mr. CRANSTON. I announce that the Senator from Alabama (Mr. ALLEN), the Senator from Minnesota (Mr. ANDERSON), the Senator from Florida (Mr. CHILES), the Senator from Missouri (Mr. EAGLETON), the Senator from Mississippi (Mr. EASTLAND), the Senator from Kentucky (Mr. HUDDLESTON), the Senator from Washington (Mr. MAGNUSON), the Senator from New Hampshire (Mr. MCINTYRE), the Senator from Alabama (Mr. SPARKMAN), the Senator from New Jersey (Mr. WILLIAMS), the Senator from Idaho (Mr. CHURCH), and the Senator from Minnesota (Mr. HUMPHREY) are necessarily absent.

I further announce that the Senator from Arizona (Mr. DECONCINI), the Senator from Alaska (Mr. GRAVEL), and the Senator from South Dakota (Mr. MCGOVERN) are absent on official business.

I further announce that, if present and voting, the Senator from Minnesota (Mr. HUMPHREY) would vote "yea."

On this vote, the Senator from Kentucky (Mr. HUDDLESTON) is paired with the Senator from Idaho (Mr. CHURCH). If present and voting, the Senator from Kentucky would vote "yea" and the Senator from Idaho would vote "nay."

On this vote, the Senator from Alaska (Mr. GRAVEL) is paired with the Senator from Minnesota (Mr. ANDERSON). If present and voting, the Senator from Alaska would vote "yea" and the Senator from Minnesota would vote "nay."

Mr. STEVENS. I announce that the Senator from Rhode Island (Mr. CHAFFEE), the Senator from New Mexico (Mr. DOMENICI), the Senator from Michigan (Mr. GRIFFIN), the Senator from Oregon (Mr. HATFIELD), the Senator from North Carolina (Mr. HELMS), the Senator from New York (Mr. JAVITS), and the Senator from Maryland (Mr. MATHIAS) are necessarily absent.

I further announce that, if present and voting, the Senator from Oregon (Mr. HATFIELD) and the Senator from New York (Mr. JAVITS) would each vote "yea."

The result was announced—yeas 56, nays 21, as follows:

[Rollcall Vote No. 636 Leg.]

YEAS—56

Baker	Cannon	Glenn
Bayh	Case	Hansen
Bentsen	Clark	Hart
Brooke	Cranston	Hathaway
Bumpers	Culver	Heinz
Burdick	Curtis	Hodges
Byrd	Danforth	Hollings
Harry F., Jr.	Durkin	Inouye
Byrd, Robert C.	Ford	Jackson

Johnston	Muskie	Sasser
Kennedy	Nelson	Schweiker
Leahy	Packwood	Scott
Long	Pearson	Stafford
Matsunaga	Pell	Stennis
Malcher	Percy	Stevens
Metcalfe	Proxmire	Stone
Metzenbaum	Randolph	Thurmond
Morgan	Ribicoff	Wicker
Moynihan	Sarbanes	Young

NAYS—21

Abourezk	Haskell	Riegle
Bartlett	Hatch	Roth
Bellmon	Hayakawa	Schmitt
Biden	Laxalt	Talmadge
Dole	Lugar	Tower
Garn	McClure	Wallace
Goldwater	Nunn	Zorinsky

PRESENT AND GIVING A LIVE PAIR, AS PREVIOUSLY RECORDED—1

Stevenson, against.

NOT VOTING—22

Allen	Eastland	Magnuson
Anderson	Gravel	Mathias
Chafee	Griffin	McGovern
Chiles	Hatfield	McIntyre
Church	Helms	Sparkman
DeConcini	Huddleston	Williams
Domenici	Humphrey	
Eagleton	Javits	

So the conference report was agreed to. Several Senators addressed the Chair. The PRESIDING OFFICER. The Senator from Louisiana.

Mr. LONG. Mr. President, I move to reconsider the vote by which the conference report was agreed to.

Mr. ROBERT C. BYRD. I move to lay that motion on the table.

The motion to lay on the table was agreed to.

Mr. ROBERT C. BYRD. Mr. President, may we have order in the Senate?

Mr. STONE. Mr. President, I voted for the conference report on the social security financing bill reluctantly, because of the insufficient attention given to the work penalties and because of the rather steep and unphased or insufficiently phased increase in required contributions; but I voted for it on the basis that one cannot represent oneself as being for the soundness of the social security fund, and yet vote nay when the only opportunity of the year is presented to make sure that the fund does not go bankrupt.

I certainly hope and urge further study both of the increased required contributions and of the penalties that are still being charged and would still be charged under this conference report for social security recipients who work.

Finally, I would urge my colleagues and the administration to consider, in next year's proposals for tax reduction, that the tax reductions should go, if possible dollar for dollar, to compensate for the increased social security contributions required by this bill, so that the pay envelopes of people who work, younger people who are now called on to support our oldsters, will not be adversely penalized and reduced. It seems to me that the \$20 billion plus being suggested for tax reduction could best go to maintain the present purchasing power of the workers who contribute and who will by this bill be required to increase their contributions to social security. That would help us head off the feelings of anger and pain at the increased social security payments by younger people, and it seems to me the best way to use the tax reduction

money, on a dollar-for-dollar basis, so that people's purchasing power will be maintained after the increased social security contribution as it was before.

I thank the Chair for permission to make these remarks.

Mr. ROBERT C. BYRD. Mr. President, when the social security financing amendments were considered earlier this year on the Senate floor, I stressed the need for us to act in this session to protect the financial soundness of the social security system. The Senate by its favorable action this afternoon on the conference report on social security has insured that benefits under the system will continue to be secure for the current and next generation of beneficiaries. It is no exaggeration to say that some 33 million retirees, dependents, and disabled persons who are currently receiving benefits under the system owe a debt of gratitude to the distinguished chairman of the Finance Committee who managed the bill on the part of the Senate at the recently completed conference. It is through the dint of his efforts, his untiring efforts, that the conference was brought to a successful completion.

I would be remiss if I were not also to point to the major contribution on every step along the way which has been made by Senator NELSON. On all matters relating to social security he serves the committee, as well as the Senate, as the respected expert. Last, I am pleased to be able to say that there would have been no social security bill this year without the diligent service of Senator CURTIS.

Mr. President, social security is one of the most important pieces of social legislation ever passed by Congress, with almost every American intimately connected with the system in one way or the other. I believe that by our action today to place the social security system on a firm financial footing we have met our collective responsibility to the American people.

I do not underestimate the impact on the American economy of the tax increases the bill will provide. They are expected to be substantial. Tax stimulative measures which will be taken up next year by Congress will certainly need to take these increases into account.

spect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, said conference report shall be considered as having been read, and all points of order against said conference report are hereby waived.

Mr. PEPPER. Mr. Speaker, by direction of the Committee on Rules, I call up House Resolution 937 and ask for its immediate consideration.

The Clerk read the resolution.

The SPEAKER pro tempore. The gentleman from Florida (Mr. PEPPER) is recognized for 1 hour.

Mr. PEPPER. Mr. Speaker, I yield 30 minutes to the able gentleman from Illinois (Mr. ANDERSON), and pending that I yield myself such time as I may consume.

(Mr. PEPPER asked and was given permission to revise and extend his remarks.)

Mr. PEPPER. Mr. Speaker, this resolution provides for the consideration of a conference report on the Social Security Amendments of 1977 (H.R. 9346). This rule will waive all points of order so that this most important conference report might be considered by the House of Representatives.

Mr. Speaker, I need not remind my colleagues that this is one of the most important measures which has ever been before this House because it sustains and insures the hope of millions of Americans, who have no other source of income in their later years except what they derive from social security, that this fund is going to be a solvent fund and what we promised them is going to be delivered to them. This special feature will strengthen the social security system, not just for the immediate future, but far into the next century. While this may entail increases in the tax rates commencing in the coming year and through the last years of the century, and even beyond, the benefits afforded to our citizens dating back to my first years in the Senate during the New Deal era will be guaranteed. Among important provisions of the bill are the increase in earnings allowed for beneficiaries who are 65 years of age and older. This amount will be increased to \$4,000 in 1978, and by yearly progressions, to \$6,000 in 1982.

Additionally, the retirement income test will be lowered from age 72 to age 70 in the year 1982. Mr. Speaker, I need not hesitate to disclose that my own sentiments are that it would have been far better had we written a more generous provision for the recipients of social security without any diminution in social security benefits, but that will come in time. We shall keep fighting until we do assure that elderly people who are in retirement and who are the recipients of social security will be able to earn all they can when they are in the low-income brackets of our country.

The bill also includes welfare provisions and miscellaneous provisions, such as the duration-of-marriage requirements, which would reduce the period of

time to 10 years from the present 20 years. That is a very meaningful provision to many of the people in my part of the country. Now, under this provision in the conference report, if a lady has been married to Husband A for as much as 10 years and then he passes away and she is deriving social security benefits through that husband, if she marries again and is married to Husband B, she will be able to continue to enjoy fully the social security benefits she derived previously under Husband A. That makes it possible for many people who are lonely to find love and companionship in their later years with another person of the opposite sex and insure that they will have a substantial increase in their joint income by their happy union. This will be more fully detailed, I am sure, by the distinguished chairman of the Committee on Ways and Means in further discussions of the conference report.

Mr. Speaker, I know that every Member of this House wishes to pay deserved tribute to the distinguished chairman of the Committee on Ways and Means, the gentleman from Oregon (Mr. ULLMAN), for the masterful manner in which he has persistently, ably, and wisely represented the House and represented the people of this country in the confirmation of this conference report. This legislation is vitally important to the long-term soundness of the social security system.

I have been asked by citizens, as I am sure many other Members of the House have: Is the social security fund dependable and sound?

My answer to that has been this: that if a Government bond or a dollar of the U.S. currency is good, then the social security commitments made by the Government of our country are going to be explicitly discharged according to the obligation. This bill assures that for many years into the future.

There is an increase in the social security tax, and that is graduated over a period of years. Parity is retained at the 50-50 level of contributions by employers and employees. I think all of us look forward to the time when we may be able to devise a better system of supporting and providing the funds for the social security program than the one in which the burden is put upon the payrolls of employers and upon the employees of this country.

But this is a necessary step in the direction of solvency and the soundness of the fund. These improvements can and will, I am assured, come in due course.

There is, moreover, an increase in the contributions relating to the benefits base that is phased in over 3 years, with no change for 1978 and with automatic adjustments after 1981.

In addition to the provisions I have mentioned, there are three studies authorized by this legislation. We are familiar, of course, with the study required by the Fisher amendment adopted by the House which will look at the feasibility of incorporating Federal employees into the social security system. Another study will be made which will determine precisely what legislation would be necessary to eliminate gender-based discrimi-

REPORT ON RESOLUTION PROVIDING FOR CONSIDERATION OF CONFERENCE REPORT ON H.R. 9346, SOCIAL SECURITY AMENDMENTS OF 1977

Mr. PEPPER, from the Committee on Rules, submitted a privileged report (Rept. No. 95-839) on the resolution (H. Res. 937) providing for the consideration of the conference report on the bill (H.R. 9346) to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, which was referred to the House calendar and ordered to be printed:

Resolved, That immediately upon the adoption of this resolution it shall be in order to consider, any rule of the House to the contrary notwithstanding, the conference report on the bill (H.R. 9346) amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with re-

nation from the social security system. This study should take approximately 6 months, and additional legislation will certainly be recommended on this basis.

Mr. Speaker, it is my understanding that this legislation will commence a 25-year surplus for the Social Security Trust Fund, followed by a gradual decline in the reserves-to-benefits ratio. The able chairman of the Committee on Ways and Means has stated that the 75 year outlook is for a deficit of 1.46 percent, and that is well within correctable limits as demographic changes may dictate.

So, Mr. Speaker, we are offering to the American people, so many of whom depend upon social security for either all or part of their sustenance and support, an assurance that those funds will be available to be paid when they are due. I think we can also express the hope that, since we have made some improvements in this bill, additional improvements responsive to the sensitivity of this Congress to the needs of the people of this country, this legislation will prove more beneficial in the years to come.

Mr. ANDERSON of Illinois. Mr. Speaker, I yield 3 minutes to the distinguished gentleman from New York (Mr. CONABLE), the ranking minority member of the Committee on Ways and Means.

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, I rise in opposition to this rule. It is not a bad rule in itself, although it does not reserve to the House the right of a separate vote on the non-germane amendments added by the Senate, some of which are controversial and many of which I believe should not be incorporated in a social security bill of this dimension.

Mr. Speaker, I believe that it would be wise to oppose the rule primarily because the Members should have more time to reflect on what they are doing to the economy of the Nation, to American business and to the American workingman. Also, Mr. Speaker, I think the Members should have time to reflect on the question of tax equity which the American people would like to think is the concern of their public representatives.

It seems to me that we have time to reflect further on the direction social security is taking, and we should take that time. Congress is not going to let the social security system fail. However, any measure like this, which adds a tax burden of this dimension, should be given ample opportunity for full debate and discussion.

We have substantial increases in both the base and the rate taking effect under existing law as of January 1, 1978. The bill adds greatly to that burden in successive years.

Mr. Speaker, the American people are going to be saddened by the extent to which this will affect their livelihoods and the fruits of their labors. In addition, it will discourage employment.

I would like to say that the conference has not done a bad job in trying to find a compromise between the two versions

of the bill which were themselves disasters. A compromise between the two disasters is likely to be a disaster also, and that is what I think we have achieved in this monumental and difficult piece of legislation.

For that reason, Mr. Speaker, I hope the Congress will fall back and regroup, take some further time for consideration, and try to find a nontax alternative such as those proposed in the Republican substitute measures, which would reduce the added burden we are placing on the American people at this time.

Mr. Speaker, I yield back the balance of my time.

Mr. ROUSSELOT. Mr. Speaker, I make the point of order that a quorum is not present.

The SPEAKER pro tempore. The Chair has recognized the gentleman from Illinois (Mr. ANDERSON).

Does the gentleman from Illinois wish to yield time?

Mr. ANDERSON of Illinois. Mr. Speaker, I yield to the gentleman from California.

Mr. ROUSSELOT. Mr. Speaker, I thank my colleague for yielding.

I make the point of order that a quorum is not present.

The SPEAKER pro tempore. Does the gentleman from California (Mr. ROUSSELOT) move a call of the House?

Mr. ROUSSELOT. Mr. Speaker, I will be glad to move a call of the House.

CALL OF THE HOUSE

Mr. ROUSSELOT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The call was taken by electronic device, and the following Members failed to respond:

[Roll No. 779]

Addabbo	Edgar	Murphy, N.Y.
Andrews, N.C.	Fary	Myers, Michael
Andrews,	Fithian	Neal
N. Dak.	Ford, Tenn.	Nichols
Applegate	Forsythe	Nix
Armstrong	Fuqua	Panetta
Ashley	Gammage	Pettis
Aspin	Ginn	Pike
Badillo	Goodling	Poage
Baucus	Hall	Pursell
Beard, R.I.	Harkin	Quile
Beard, Tenn.	Harsha	Rinaldo
Bedell	Hefner	Risenhoover
Bellenson	Holland	Runnels
Blanchard	Horton	Ruppe
Bolling	Ichord	Ryan
Bonior	Koch	Santini
Bonker	Krebs	Shipley
Breaux	LaFalce	Shuster
Brown, Calif.	Le Fante	Simon
Burke, Calif.	Leggett	Sisk
Burke, Fla.	Lehman	Smith, Iowa
Burleson, Tex.	Lent	Stagger's
Burlison, Mo.	Lloyd, Calif.	Steed
Burton, John	Long, La.	Symms
Burton, Phillip	Long, Md.	Teague
Byron	Lujan	Thone
Carney	Lundine	Traxler
Cavanaugh	McCloskey	Tsongas
Cederberg	McDonald	Udall
Chappell	McEwen	Van Deerlin
Collins, Ill.	McKinney	Whalen
Conyers	Madigan	Wiggins
Crane	Maguire	Wilson, Bob
Dent	Marlenee	Wilson, C. H.
Dickinson	Mathis	Wilson, Tex.
Diggs	Mazzei	Winn
Dingell	Meeds	Wolf
Drinan	Metcalfe	Yates
Eckhardt	Mollohan	

The SPEAKER pro tempore. On this rollcall 316 Members have recorded their presence by electronic device, a quorum,

By unanimous consent, further proceedings under the call were dispensed with.

FURTHER MESSAGE FROM THE SENATE

A further message from the Senate by Mr. Sparrow, one of its clerks, announced that the Senate agrees to the report of the committee of conference on the disagreeing votes of the two Houses on the amendments of the Senate to the bill (H.R. 9346) entitled "An act to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes."

CONFERENCE REPORT ON H.R. 9346, SOCIAL SECURITY AMENDMENTS OF 1977

The SPEAKER pro tempore. The Chair recognizes the gentleman from Illinois (Mr. ANDERSON).

(Mr. ANDERSON of Illinois asked and was given permission to revise and extend his remarks.)

Mr. ANDERSON of Illinois. Mr. Speaker, I yield myself 11 minutes.

Mr. Speaker, I rise in opposition to the rule. This rule, which was approved just before noon today, provides that the conference report shall be considered as having been read and waives all points of order against the conference report.

I oppose this rule for several reasons. First, we are moving much too quickly on this important matter which affects nearly every American. We are being asked to consider a conference report that was filed just this morning. Indeed, the explanation of the conference agreement was made available only late yesterday afternoon. We are taking an unusual step, one which usually requires an extraordinary majority for passage, of considering a rule on the same day as reported from Rules Committee. Like lemmings in their annual rush to the sea, we are being asked to plunge into a new wave of taxes without giving more than 24 hours of thought to the consequences. To move more cautiously would, in my view, be prudent.

Second, I object to the indiscriminate waiver of all points of order on the conference report. Let me detail what this covers. Not only is this a waiver of the 3-day layover rule on conference reports, but it prevents points of order on two important substantive areas. First, in somewhat typical fashion, the other body attached five amendments dealing with welfare programs to the House bill. These are not minor amendments—one provides a \$187 million payment to States for fiscal relief. Each of these

amendments were, in some form, adopted by House conferees.

I would typically object to any acceptance of nongermane Senate riders, but in this case, I strongly object because of the availability of a more proper vehicle for these amendments. The other body has had, since June 15 of this year, H.R. 7200, a bill making numerous changes in the SSI and AFDC welfare programs. Have they chosen to act on this bill? Did they consider adding their desired welfare changes to our bill dealing with welfare? No, they have tacked on these important changes to our social security bill, a virtually unrelated matter. The House Members having jurisdiction over welfare were not able to consider changes—they were not conferees on the social security bill. I respect the rules of this body. This type of action strengthens my convictions that our rules requiring germaneness are important. Too important to be waived in this case.

A second proper point of order could be raised against this conference report. This concerns a Senate amendment converting temporary law judges to permanent status. The conferees agreed to the Senate amendment, but an objection was raised this morning in Rules Committee by the chairperson of the Subcommittee on Employee Ethics and Utilization, Congresswoman PAT SCHROEDER. This matter falls under her subcommittee's jurisdiction, yet she is not allowed, under the rule now before us, to seek to delete it. The provision is an unwise one. I contend, because it makes an end run around the merit system, allowing temporary employees to be given a permanent job without proving their competence.

Other points of order could be raised against the conference report—violations of the Budget Act, acceptance of matters outside the scope of the conference—but these are the most troubling to me.

Mr. Speaker, I oppose this rule finally because I believe consideration of the social security legislation should be delayed. And not just for a day or for a week to meet procedural obstacles. I would hope that this matter would be delayed until next year so that a more rational economic policy could be developed.

We are being asked to consider the immediate passage of a conference report that will raise \$227 billion in more taxes over the next 10 years. At the same time, we are being asked to wait for income tax cuts that are intended to offset the payroll tax increases. In other words, the American taxpayers are not being asked to take the bitter with the sweet, they are being asked to take the bitter now and to wait for the vague promises of tax relief to be realized later. That, I submit, is a fraud upon the American people. Let us consider both measures in the same session of Congress. Let us mesh the two proposals together, or at the very least, consider them at roughly the same time. In this light, I remind my colleagues of the chaos we had prior to adoption of the Budget Act. Spending matters were considered willy-nilly with no overall plan. We have made

significant progress in rationalizing that process. We should be mindful of that reform and act accordingly.

Mr. FRENZEL. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON of Illinois. I yield to the gentleman from Minnesota.

Mr. FRENZEL. I thank the gentleman for yielding.

Mr. Speaker, one of these nongermane amendments is called fiscal relief for welfare costs. It apparently appropriates \$187 million. As I understand the rule, we are not going to be allowed to vote on that provision separately by making a point of order, as we would normally be able to do under the rules of this House.

Mr. ANDERSON of Illinois. The gentleman is correct.

Mr. FRENZEL. My further understanding is that, of that \$187 million, about 20 percent goes to California and about 20 percent goes to the State of New York. Can the gentleman verify those figures?

Of course, we do not have any information on that. And, of course, this rule will waive the 3-day period in which we can usually find something about even these mysterious conference reports.

Mr. ANDERSON of Illinois. Mr. Speaker, the gentleman is a distinguished member of the Committee on Ways and Means, which does have within its jurisdiction the bill that I referred to a few moments ago, H.R. 7200. I think in the projections that he has made with respect to those two States, the figures are probably accurate.

Mr. FRENZEL. Mr. Speaker, I must agree with the gentleman that this is an absolute outrage, that we are called upon to vote for a rule and to approve with a single vote five nongermane amendments. Those five amendments represent enormous decisions and enormous sums of the taxpayers' money which we are agreeing to proper consideration being given by this body.

I certainly subscribe to the gentleman's statement. I think the rule should be defeated out of hand.

Mr. ANDERSON of Illinois. Mr. Speaker, I thank the gentleman for his contribution.

Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania (Mr. COUGHLIN).

(Mr. COUGHLIN asked and was given permission to revise and extend his remarks.)

Mr. COUGHLIN. Mr. Speaker, I understand that the sticking point on the social security conference was indeed the tax credit for education. I take this time to ask the distinguished chairman of the Committee on Ways and Means, if I could have his attention, this question:

I understand that in connection with the social security conference, commitments were made on the tax credit for education, and I would wonder if the distinguished chairman of the Committee on Ways and Means could explain those commitments.

Mr. ULLMAN. Mr. Speaker, if the gentleman will yield, there were no commitments. Commitments were offered in the

process of trying to resolve the issue at an earlier date, but when we finally concluded the matter on last Friday there were no commitments made except this: That I stated that this is an issue which was one that had to be faced up to by the Congress in an orderly manner.

Certainly the chairman of the Committee on Ways and Means was going to attempt to be as responsive to the issue as he could and act appropriately. We will be able to hold hearings and proceed in an orderly manner in the consideration of the alternatives.

Mr. COUGHLIN. Mr. Speaker, could the distinguished chairman of the committee tell me when the hearings will take place? Is it possible that hearings could be held in January on the subject of educational tax credits?

Mr. ULLMAN. Mr. Speaker, if the gentleman will yield further, let me state that I made no commitments beyond what I have revealed.

Mr. COUGHLIN. Mr. Speaker, whether or not any hearings would be held on the subject of a tax credit for educational purposes, is it possible that there is a commitment to bring this to a vote on the floor of the House?

Mr. ULLMAN. No, there was no commitment.

Mr. COUGHLIN. It seems to me, Mr. Speaker, that since this tax credit for education has been under consideration by the Committee on Ways and Means for at least 7 years, to my knowledge, it is high time that it be brought to the floor for a vote.

Mr. ANDERSON of Illinois. Mr. Speaker, I yield myself 2 minutes for the purpose of addressing a question to the chairman of the Committee on Ways and Means, the gentleman from Oregon (Mr. ULLMAN).

I have just been informed that in a commentary that was carried this morning on one of the national networks very serious charges of incompetence were made against some of the administrative law judges who are included in the nongermane Senate amendment on which we are waiving a point of order under this rule. Some of those people were challenged as being incompetent, and under this amendment they would be frozen into lifetime jobs at even a higher salary than the one they now enjoy.

I wonder if the committee chairman has heard that report or if any discussion of that matter was had in the conference committee when this amendment was adopted?

Mr. ULLMAN. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON of Illinois. I yield to the gentleman from Oregon.

Mr. ULLMAN. Mr. Speaker, let me inform the gentleman that I did not hear the report. I have no knowledge and no information whatsoever as to the charges that were levied. As far as I am concerned, there is certainly no validity to them at this point.

However, let me say that this is a matter that has been too long delayed. We have fallen too far behind in our hearings. I believe we have now established an orderly procedure for meeting the issue. We have delayed our actions as

to the positions of these judges, and this bill merely says that they shall be converted to regular administrative law judges.

Relative to the ALJ provision in the bill, I would like to correct a distortion of our committee report—House Report No. 95-617, part 1—which was made at the Rules Committee this morning. It was stated that we are blanketing-in a bunch of incompetents and that the Ways and Means Committee report so acknowledges this. So for the purposes of the RECORD I would like the full report put in the RECORD to put the legislation in the proper perspective:

CONVERSION OF TEMPORARY ADMINISTRATIVE LAW JUDGES

PURPOSE AND SCOPE

The purpose of H.R. 5723 is to convert to regular Administrative Law Judges (ALJ's) the temporary ALJ's who were appointed under Public Law 94-202 to hear cases under title II, XVI, and XVIII of the Social Security Act through 1978. These hearings officers have been conducting hearings under the provisions of the Administrative Procedure Act (APA) in the same manner as regular ALJ's. It was the intention of your committee in 1975 that they generally would be converted to the same status, tenure, and compensation as regular ALJ's. Moreover, such a development is highly appropriate since they are doing the same work as regular ALJ's in an equally effective manner.

GENERAL DISCUSSION

This legislation is necessary because the Civil Service Commission has disregarded the legislative intent of Public Law 94-202, clearly expressed in the reports of the Ways and Means Committee and the Senate Finance Committee, that these hearings officers would be expeditiously converted to regular ALJ status with "great weight" being given to their extensive experience adjudicating the social security definition of disability. After over 19 months only a handful of hearing officers have been appointed to regular positions and not many more are on the Civil Service Commission current register. The turn down rate of temporary ALJ's by Civil Service is about 50 percent. This has very adversely affected the morale of this group of hearing officers at a time when the backlog of hearings cases is increasing. They are greatly concerned that their appointments will expire before they are qualified by the Civil Service Commission and have reason to feel discriminated against in that they are paid at a lower rate for work comparable to that of regular ALJ's.

One of the principal objectives of Public Law 94-202, signed by President Ford on January 2, 1976, was to make it irrefutably clear that Congress intended that SSI adjudications were under the Administrative Procedure Act and that SSI hearing examiners could hear all types of social security cases. The idea was that the Bureau of Hearings and Appeals in dealing with the "appeals crisis" should not be forced to operate within the straitjacket imposed by the 1973 Civil Service Commission's interpretation which the Ways and Means Committee and ultimately the Congress stated in enacting Public Law 94-202 was inconsistent with the intent of Congress when the SSI program was enacted.

The process of merit selection envisioned by your committee has not and is not taking place. The Civil Service Commission, Office of Administrative Law Judges, appears incapable of making a meaningful assessment of which of the temporary ALJ's would do effective jobs as regular ALJ's. Their current selection procedures are not so much based on a determination of an individual's

ability, experience, and skills to do the job of a Social Security ALJ, but are based on (1) his previous GS-grade rating or his "status" as a private attorney as evidenced by the level of the court in which he may have appeared as counsel, and (2) a subjective evaluation of a skeletal rating form circulated to various former employers, judges, and counsel who have appeared before him.

The Civil Service Commission's latest administrative proposal to forestall this legislation does not address the basic reason that the temporary ALJ's are not qualifying for the appointment register—lack of credit for the actual adjudication of social security cases for a substantial period of time. This experience is the most valuable and pertinent in appointing regular Social Security ALJ's but it, contrary to the legislative history, has been substantially ignored.

Your committee regrets that it must bypass the Civil Service Commission's appointment procedures because they are incapable of dealing with this situation. However, the original HEW appointment procedures established in 1974 for the SSI hearing examiners were almost identical to those used by the Civil Service Commission under the APA. Your committee is aware that there is a very small group of ALJ(T)'s and regular ALJ's who are not producing the number and quality of decisions which will enable the Bureau of Hearings and Appeals to meet its statutory responsibilities. Your committee is also aware that no ALJ's have been removed for such reasons even though there have been numerous instances where either singly or in combination the following conduct has existed:

- (1) Consistently bad decision writing which prevents proper award implementation;
- (2) Lack of documentation of cases so that decisions are chronically decided on insufficient evidence;
- (3) Blatant disregard to applicable law, regulation, and Social Security ruling; and
- (4) A level of production of cases clearly inconsistent with the workloads and requirements of the Social Security program.

Your committee emphasizes that such conduct by a few individuals is not characteristic of the performance of the corps of Social Security ALJ's who are responding to the continuing appeals crisis in an exemplary manner. Your committee is also fully aware that the ALJ's independence from agency control must be safeguarded in accord with the provisions and spirit of the Administrative Procedure Act but "career-absolute" status is not a license for the complete neglect of a reasonable standard of conduct and job performance. The Chairman of the Civil Service Commission has written in answer to the question whether lack of productivity can be proper cause of adverse action by an agency:

The independence provided by the Administrative Procedure Act (the Commission classifies Administrative Law Judge positions and determines good cause for removal) is to safeguard the decisional process. Thus, apart from his decisional independence, the Administrative Law Judge is an employee of the agency, fully responsible and accountable for his conduct and performance of duty, and adherence to reasonable standards of production, if such standards have been established by the agency. . . . "It should be the policy of all agencies to establish and enforce reasonable and realistic standards of performance in terms of work produced and time expended. Programs of this type dealing with standards and more effective case management have been established in a number of State and Federal courts. We are unaware of any impediment, legal or otherwise, to justify withholding the establishment and implementation of like programs from one class of employees."

The committee has been advised of, and supports the Bureau of Hearings and Appeals' position that failure to meet production goals will not be used as a basis of an adverse action, but that such action shall only be taken where an ALJ consistently fails to perform at a minimal level after proper warning is given and reasonable assistance is provided to increase productivity. The committee commends the Social Security Administration for its efforts and the success achieved in increased ALJ productivity but the agency must sustain quality by review of cases and adequate quality assurance.

The Civil Service Commission has indicated that it will take action against deficient ALJ's under the Administrative Procedure Act to remove "for cause" if charges are brought by the employing agency and they are sustained after a hearing. Although the Bureau of Hearings and Appeals maintains that such actions are "difficult and complex" they are in the process of preparing charges in a number of appropriate cases. This action is to be commended and encouraged.

ANALYSIS OF H.R. 5723

H.R. 5723 would provide that the hearing officers appointed under section 1831(d)(2) of the Social Security Act (as in effect prior to January 2, 1976) to hold hearings under the supplemental security income program who had been deemed to be appointed under and governed by the provisions of the Administrative Procedure Act of Public Law 94-202, shall be appointed to career-absolute ALJ positions as if they had been appointed under the Administrative Procedure Act, section 3105 of title 5, United States Code. They would have the same authority and tenure as hearing examiners appointed directly under section 3105 and be compensated at the same rate as Social Security ALJ's (GS-15). All provisions of the Administrative Procedures Act shall apply to them in the same manner as they apply to other Administrative Law Judges. The former temporary Black Lung ALJ's who were appointed as temporary ALJ's under the authority of Public Law 94-202 are fully covered by this provision.

MATTERS TO BE DISCUSSED UNDER RULES OF THE HOUSE

In compliance with clause 2(1)(2)(B) of rule XI of the House of Representatives, the following statement is made relative to the vote by your committee on the motion to report the bill. The bill was ordered reported by voice vote.

In compliance with clause 2(1)(3)(A) of rule XI of the Rules of the House of Representatives, the following statement is made relative to oversight findings by your committee: As a result of investigations conducted by the Subcommittee on Social Security and the Subcommittee on Oversight, your committee concluded that it would be desirable to enact this legislation.

In compliance with clause 2(1)(3)(C) of rule XI of the Rules of the House of Representatives, your committee was advised by the Director of the Congressional Budget Office that since it was the intent of Public Law 94-202 that this conversion take place by this time any additional salary costs would have already been taken account of in the budget.

In compliance with clause 2(1)(3)(B) of Rule XI of the Rules of the House of Representatives, the following statement is made. Enactment of H.R. 5723 would not result in any new budget authority or increased tax expenditures.

In compliance with clause 2(1)(3)(D) of rule XI of the Rules of the House of Representatives, your committee states that no oversight findings or recommendations have been submitted to your committee by the Committee on Government Operations with respect to the subject matter contained in the bill.

In compliance with clause 2(1)(4) of rule XI of the Rules of the House of Representatives, your committee states that this bill would not have any inflationary impact on prices and costs in the operation of the national economy.

In compliance with clause 7 of rule XIII of the Rules of the House of Representatives, the following statement is made relative to the cost of the bill: The enactment of H.R. 5723 would not add to the cost of the social security program and should result in some saving to the program since the cost of hiring and training new hearing officers would be required without it.

Mr. WAGGONER. Mr. Speaker, will the gentleman yield?

Mr. ANDERSON of Illinois. I yield to the gentleman from Louisiana.

Mr. WAGGONER. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, in further response to the gentleman's query of the chairman of the committee, I think it needs to be said that the Committee on Ways and Means held hearings on this subject, and nothing of that nature of which the gentleman speaks developed during the course of those hearings. The committee did, without objection, report a bill that is designed to do exactly what the Senate amendment does, and it was for that reason the Senate amendment was agreed to.

Mr. PEPPER. Mr. Speaker, I yield 5 minutes to the gentleman from Colorado (Mrs. SCHROEDER).

(Mrs. SCHROEDER asked and was given permission to revise and extend her remarks.)

Mrs. SCHROEDER. Squirrelled away in section 371 of the conference report on H.R. 9346, the social security financing bill, is an early Christmas present for about 150 employees at the Social Security Administration: lifetime jobs as GS-15 administrative law judges (ALJ's) starting at \$36,171 per year.

There are quite a few reasons why section 107 deserves quick excision from this bill:

First. There is a bill, H.R. 5723, which is identical to section 371. This bill was jointly referred to the Committees on Ways and Means and Post Office and Civil Service. Ways and Means reported the bill as introduced. Our committee amended the bill and had not only a report but two sets of other views upon it. Maybe the fact that we had hearings on the bill had some bearing on this diversity of opinion. Unfortunately, if the House adopts section 371 you would not have a chance to explore these alternatives.

Second. The administration opposes the section.

Third. It is a disservice to all present permanent ALJ's who have met the rigorous testing and experience requirements for their job—18 of the 150 have not even applied for the permanent ALJ slots.

Fourth. It is an unprecedented attack on the merit system. The next time constituents tell you they cannot qualify for a Federal job, tell them you have just voted to give 150 people what amounts to lifetime Federal jobs.

Fifth. It is an unkind job at the Administrative Procedures Act (APA). Congress set up the APA and the independent ALJs who conduct its hearings to assure that due process would be granted to petitioners by qualified and independent people. People who have to be legislated into jobs are not qualified, nor are they very independent. Moreover, we fear the problems which would be caused when, under the toration requirements of the APA, which, to preserve their independence, move ALJ's among the agencies these ALJ's would begin to handle natural gas rate cases, truck route certification cases, or any other administrative action under the APA.

Sixth. It is not going to solve the disability caseload at the Social Security Administration under the SSI program. Take a look at the GAO report entitled "Problems and Progress in Holding Timelier Hearings for Disability Claimants" (October 1, 1976, HRD-76-173) if you think the answers to this problem are simple. A year from now, when your constituent are still complaining about their SSI case delays, tell them you already solved their problem by giving 150 SSI ALJ's pay increases.

Seventh. We think that getting Congress into the business of giving out civil service jobs in the executive branch deserves a bit more consideration than an end of session amendment in a conference report. We urge you to join us in rejecting section 371 so that the matter may be given its proper and deserved debate in connection with H.R. 5723.

Mr. Speaker, I feel this morning a little bit like the skunk at the garden party. I rise to ask the Members to vote against this rule, and I take this position partially because of this administrative law judge issue we are talking about.

This issue was originally referred jointly to two committees, both the Committee on Ways and Means and the Committee on Post Office and Civil Service. We have just heard the gentleman from Louisiana (Mr. WAGGONER) refer to what happened in the Committee on Ways and Means on promotion of the temporary administrative law judge issue, but in the Committee on Post Office and Civil Service, after long hearings, we came up with a different solution.

We were very surprised, after we had written the conferees and asked them not to squirrel this section away in the conference report, that the conferees went ahead and did it anyway.

I attempted to get a rule so that we could strike this from the conference report, but we were not able to get it. This section is clearly not germane to the bill as it originally came through the House.

This is an issue that has been present for a long time, and the Members will hear many different things said about it. Let me try to give the Members a little background as to what happened.

As we know, there was a backlog of cases in the Social Security Administration, and so they did appoint these temporary people at GS-14 levels. They can

go up to GS-15, if they file and qualify; but like everyone else, many of them have applied, some are now GS-15's and some of them have not even applied.

However, what this bill would do is that it would automatically promote all of them to GS-15's where they are qualified and give them lifetime tenure as administrative law judges.

Mr. Speaker, it would be the first time in the history of this Congress that we have made an end-run around the merit system and promoted people automatically.

A lot of people have said that this is necessary because Civil Service has pushed these people around for a long time. They are right; Civil Service did push these people around for a long time. The only thing is that we now have a new Civil Service Board. We have been working very hard with them. None of these temporary people's tenure run out for another year. Therefore, there is no need to do this in the haste of the last minute. The new Commissioners are working on the problem. They are now going to give the temporaries seven points for their experience as temporary ALJ's.

Mr. Speaker, I think that is going to work out very nicely. Therefore, there is no need for the haste. Those who are qualified will be promoted.

Second, it will not do anything really about the case backlog. It does not add any new numbers whatsoever. It keeps the same numbers. It just gives the temporaries an automatic promotion without any qualification.

Third, there has been some question as to whether or not the people were qualified. Some of them obviously have not felt qualified because they have not even applied for the promotion. Maybe some are and maybe some are not; but if we make an end-run around the merit system and say that all of them automatically become GS-15's, even if some of them may not be qualified and may not be doing a good job, I do not think this House is doing anybody a great favor.

Mr. Speaker, one of the things that has happened in the past was that all of these agencies started to want more and more supergrades, so this House started to add new supergrades in all sorts of places.

I see this the opening of a new loophole. Many will demand promotions no matter where they come from, and they can always say that if we do not promote them, they will not administer properly. Therefore, we will always have to make an end-run around the Merit System if the bill as it stands now, passes and creates this new precedent.

For example, Mr. Speaker, let us take airports. We can see this coming in airport legislation, with people saying that if we do not promote all the air-traffic controllers, they cannot administer the act properly, so forget the merit systems.

I am dismayed that we did not get a rule which will allow us to make a point of order against this section, thereby

allowing the Committee on Post Office and Civil Service to bring its bill to the floor on a joint referral from the Committee on Ways and Means so that we could discuss it and have the House make a decision about which way it wanted to go on this matter.

Mr. BURKE of Massachusetts. Mr. Speaker, will the gentlewoman yield?

Mrs. SCHROEDER. I yield to the gentleman from Massachusetts.

Mr. BURKE of Massachusetts. Mr. Speaker, I would like to remind the gentlewoman from Colorado (Mrs. SCHROEDER) that the whole thrust of this legislation is to clean up the backlog of over 90,000 disability cases. It was as high as 113,000, and we are trying to pare that down.

It has been the result of the roadblock operation of the Civil Service Commission which has prevented those people who are entitled to hearings from being heard. It is a scandal in this country that we have totally disabled people who never even get a chance to be heard. They leave this world; they die after 18 months or so, and they never get a chance to have their cases acted upon.

Mr. Speaker, I think our moral judgment here was right and that we have to give these people a chance to be heard.

I can agree with a lot that the gentlewoman says. However, the important thrust is to give these people a chance to be heard right now. The Civil Service Commission has blocked them at every turn.

The SPEAKER pro tempore. The time of the gentlewoman from Colorado (Mrs. SCHROEDER) has expired.

Mr. PEPPER. Mr. Speaker, I yield 1 additional minute to the gentlewoman from Colorado.

Mrs. SCHROEDER. Mr. Speaker, I might respond to the gentleman from Massachusetts (Mr. BURKE)—and I know he has really been concerned about this matter—that he is right in saying that the Civil Service Commission in the past has given these people the run-around. However, there is a new Civil Service Commission, and they have been working with us. In 10 months we cannot turn everything around, any more than we can turn everything around overnight.

Second, Mr. Speaker, this creates no new positions. It really does not help us with the backlog. It keeps the same number of positions, and promotes them automatically.

Mr. Speaker, I think we should be allowed to deal with that problem on the floor in the future and not in this bill.

Mr. ROUSSELOT. Mr. Speaker, will the gentlewoman yield?

Mrs. SCHROEDER. I yield to the gentleman from California.

Mr. ROUSSELOT. Mr. Speaker, I thank the gentlewoman for yielding.

I think the point should be reemphasized that by forcing the House to take the language of the administrative law judge section and to include it in the social security bill, we will be voting, by voting for this rule, to automatically

promote people who have not even applied to be promoted.

Mrs. SCHROEDER. The gentleman is correct.

Mr. ROUSSELOT. I think this makes Congress look absolutely silly. We look silly enough often enough without accepting this kind of rule, which is wrong for many reasons. I too urge the House to vote down the rule.

Mr. PEPPER. Mr. Speaker, I yield 3 minutes to the gentleman from Ohio (Mr. SEIBERLING).

(Mr. SEIBERLING asked and was given permission to revise and extend his remarks.)

Mr. SEIBERLING. Mr. Speaker, the conference report on H.R. 9436, social security financing, would impose greater increases in the social security tax than either the House-passed bill or the Senate-passed bill. I will vote for the rule and for the bill, but only with great reluctance and only because we have been offered no alternative for insuring the continued funding of social security. We all know that the social security tax is indeed a tax, not a form of insurance, and that the tax falls heaviest on lower- and middle-income working people.

I think it is a poor way to make tax policy, to say the least, for the Congress to increase this regressive tax before having any clear idea what kinds of cuts it is going to make in the personal income tax to offset the economic drag of the social security tax increase. We could well end up with tax reform in reverse.

For example, if, to offset the \$20 billion increase in social security tax, we enact an across-the-board cut in income tax rates, those who would benefit most are the very ones who pay the smallest proportion of their incomes into the social security system. That kind of income tax cut would be a windfall benefit to those workers—1 out of 10—who do not pay any social security taxes. Worst of all, such a cut will not insure that the money would go back to those paying the increased social security tax, and it could even bring about a redistribution of income from the great majority of working people to those who are in the upper-income groups.

By approving this conference report, we will be passing up a golden opportunity to work some real reform into the social security financing system. Realistically, any such reform will probably involve financing part of the present benefits out of the general revenues of the government. If an income tax cut to offset the increased social security tax is eventually approved, as indeed seems inevitable, we will, in effect, be using general revenues to keep the system solvent. Continuing the pretense that social security is only being funded by means of the payroll tax and not by dipping into the general revenues will fool few people. Unfortunately, however, it will keep Congress in a "straitjacket" as far as developing more rational tax policy is concerned.

In 1975, Congress enacted a temporary earned income credit which, according to

the Ways and Means Committee report, is intended "to offset the impact of the social security taxes on low-income persons." Mr. Speaker, the tax increases in this bill are so enormous and will be so burdensome to lower- and middle-income working people that it is way past time to start considering how we are going to give them relief without making the tax structure more regressive.

With that in mind, I am today introducing legislation to make the earned income credit permanent and to expand on that approach by providing an income tax credit which in 1979 and 1980 will equal up to 11 percent of social security taxes paid, in 1980 and 1981 up to 22 percent of social security taxes paid, and in 1983 and thereafter up to 33 percent of social security taxes paid. This credit would be reduced one-half percent for each \$500 or fraction thereof by which a worker's income exceeds the wage base subject to the social security tax. A worker now earning \$16,500 (the present wage base) or less would receive the full credit—equal to 33 percent of his social security tax. A worker earning \$20,000 would receive a credit equal to 29.5 percent of his social security tax, since his earnings exceed the current wage base by \$3,500. Under this proposal, workers currently earning over \$49,000 would receive no income tax credit in 1977 for social security tax paid. If the employee's income tax obligation is less than the amount of the credit, the difference would be refundable to the employee, as is the earned income credit, and workers eligible for both could elect the larger of the two.

As the wage base subject to the social security tax goes up, so would the maximum dollar amount of the credit. However, the credit would still be reduced at the same rate where earnings exceed the wage base and would always phase out completely when earnings exceed the wage base by more than \$32,500. The reason for the gradual reduction of the credit for those whose earnings exceed the wage base is to introduce an element of progressivity and to avoid carrying over the nonprogressive character of the social security tax into the income tax system.

Employers would be authorized by the bill to reduce employees' income tax withholdings by the amount of the social security tax credit, so that the money would never leave the employees' paychecks or the economy.

Mr. Speaker, the original drafters of the social security system envisioned that general revenues would eventually be necessary for social security funding. Many countries with social insurance systems like ours provide for some general revenue funding, and it is time for the U.S. Congress to face its responsibility in this area. My income tax credit is one approach. Our esteemed colleague JAMES BURKE, who chairs the Social Security Subcommittee, has proposed another, which would have employers, employees and the government each pay one-third of the cost of social security.

This would not only relieve both employees and employers of part of this tax, but would stimulate economic recovery by reducing employers' costs for labor. A third possibility would be to remove the funding of disability benefits and health insurance from the social security trust fund and pay for them from the general revenues.

So there are several choices, but choose we must. The country should not and, I believe, will not long tolerate continued increases in the social security payroll tax.

Mr. PEPPER. Mr. Speaker, may I just say this word in conclusion. This rule is exactly the rule requested of the Committee on Rules this morning by the distinguished Committee on Ways and Means. I am sure every Member of this House is aware of the obstacles and the problems which have had to be encountered by this distinguished committee of this House in trying to present to us today this conference report which this rule will permit us to consider. So I hope this House will adopt this rule permitting us to vote on the social security conference report, a matter for which we have come back here today from all over the country, and a measure which, if adopted, will mean so much to our fellow citizens.

Mr. ANDERSON of Illinois. Mr. Speaker, I yield 1 minute to the gentleman from New York (Mr. GILMAN).

Mr. GILMAN. Mr. Speaker, I rise in support of the provision in this measure that converts temporary administrative law judges to permanent law judges. I think it is a sound addition to this proposal. The temporaries were created to rid ourselves of the long and heavy backlog that has accumulated on social security disability hearing calendars. The temporaries were appointed to clear that backlog. They are doing work comparable to the permanent administrative law judges. They are not being certified because of the laxity of the Civil Service Commission in addressing itself to this problem. These administrative law judges are urgently needed. The temporaries are doing effective and diligent work in a competent manner. The status problems should have been resolved by the procedures set up under the prior law that was adopted during the administration of President Ford. It has not been done and we are still confronted with a growing case backlog of disability claims waiting to be heard by the Social Security Administration. The only effective way or way to break up this logjam is by this legislation.

The unquestionable need for converting these temporary hearing officers to permanent ALJ status was underscored in hearings on H.R. 5723 before the Committee on Post Office and Civil Service, of which I am a member, and the Committee on Ways and Means.

H.R. 5723, as introduced by the distinguished chairman of the Subcommittee on Social Security, the gentleman from Massachusetts (Mr. BURKE), provides that individuals who were originally appointed as supplemental security income (SSI) hearing examiners under pre-1976 provisions (Public Law 94-202) of title XVI of the Social Security Act be

converted to regular administrative law judges.

In hearings before the Committee on Post Office and Civil Service I underscored the fact that the intent of Public Law 94-202—which created the position of temporary hearing officer—was to convert these hearing officers to the same status, tenure, and compensation as regular ALJ's. Expeditious conversion is exceedingly appropriate when we consider, as the material our committee received pointed out, that these temporary hearing officers are executing their duties as effectively and responsibly as regular ALJ's.

Unfortunately, the Civil Service Commission has not provided these individuals the opportunity for security and advancement they were initially promised. After more than 19 months since enactment of the above statute, only a small handful of the 189 temporary hearing officers have been appointed to permanent ALJ positions.

Despite a current backlog of over 83,000 SSI cases awaiting action—a backlog which was much higher but which has been whittled down by the determined efforts of these temporary hearings officers—the Civil Service Commission has failed to recognize the substantial contribution made by these hearing officers.

Presently, we are confronted with a demoralized corps of temporary hearing officers who rightfully feel that they have been discriminated against because they are paid at a lower rate for work comparable to that performed by permanent ALJ's. Their concern is compounded by the fact that they fear their appointment will expire before the Civil Service Commission qualifies them for permanent ALJ status. "Great weight," as Public Law 94-202 intended, has not been given to the extensive experience these proven hearing officers have received in adjudicating social security related disability cases.

As a cosponsor and firm supporter of H.R. 5723, I have consistently urged that we remedy the serious shortcoming suffered by these temporary ALJ's, and have fought attempts to weaken the well-reasoned and equitable provisions of H.R. 5723 as originally introduced.

Accordingly, I urge my colleagues to support this provision of the conference report on H.R. 9346, converting temporary hearing officers to permanent ALJ status. In this manner, we can reestablish confidence and an esprit de corps within this dedicated body of individuals who are now understandably preoccupied with consideration of their uncertain future.

Accordingly, I urge my colleagues to support this rule on this measure in order to remedy this delayed justice for our disabled.

Mr. PEPPER. Mr. Speaker, I move the previous question on the resolution.

The previous question was ordered.

The SPEAKER pro tempore. The question is on the resolution.

The question was taken; and the Speaker pro tempore announced that the yeas appeared to have it.

Mr. STEIGER. Mr. Speaker, I object

to the vote on the ground that a quorum is not present and make the point of order that a quorum is not present.

The SPEAKER pro tempore. Evidently a quorum is not present.

The Sergeant at Arms will notify absent Members.

The vote was taken by electronic device, and there were—yeas 178, nays 175, not voting 81, as follows:

[Roll No. 780]

YEAS—178

Addabbo	Gephardt	Nowak
Akaka	Gialmo	Oberstar
Alexander	Gilman	Obey
Ambro	Glickman	Ottinger
Ammerman	Gonzalez	Patten
Anderson, Calif.	Gudger	Patterson
Annunzio	Hamilton	Pattison
Applegate	Hanley	Pepper
Ashley	Hannaford	Perkins
Baldus	Harrington	Pickle
Beard, R.I.	Harris	Preyer
Benjamin	Hawkins	Price
Biaggi	Heftel	Rahall
Bingham	Hightower	Rangel
Blanchard	Howard	Reuss
Blouin	Jacobs	Richmond
Boggs	Jenkins	Roberts
Boland	Jenrette	Rodino
Bonior	Johnson, Calif.	Roe
Brademas	Jones, N.C.	Rogers
Breckinridge	Jones, Okla.	Roncalio
Brodhead	Jordan	Rooney
Brooks	Kastenmeier	Rose
Brown, Calif.	Keys	Rosenthal
Burke, Mass.	Kildee	Rostenkowski
Carr	Kostmayer	Roybal
Chisholm	LaFalce	Russo
Clay	Lederer	Scheuer
Collins, Ill.	Leggett	Seiberling
Corman	Lehman	Sharp
Cornell	McCormack	Sikes
Cornwell	McDade	Simon
Cotter	McFall	Slack
Daniel, Dan	McHugh	Solarez
Danielson	McKay	Spellman
Delaney	Mahon	St Germain
Dellums	Mann	Staggers
Derrick	Markey	Stark
Dicks	Mattox	Steed
Diggs	Mazzoli	Steers
Dingell	Meyner	Stokes
Dodd	Mikulski	Stratton
Downey	Mikva	Sudds
Drinan	Milford	Thompson
Duncan, Oreg.	Miller, Calif.	Tucker
Eckhardt	Mineta	Ullman
Edgar	Minish	Vanik
Edwards, Calif.	Mitchell, Md.	Vento
Elberg	Moakley	Waggonner
Evans, Colo.	Moffett	Walgren
Fascell	Moorhead, Pa.	Waxman
Fisher	Moss	Weaver
Flood	Motti	Weiss
Florio	Murphy, Ill.	Wilson, Tex.
Foley	Murphy, N.Y.	Wright
Ford, Mich.	Murtha	Yatron
Fowler	Natcher	Young, Tex.
Fraser	Nedzi	Zablocki
Gaydos	Nichols	Zeferetti
	Nolan	

NAYS—175

Abdnor	Carter	Edwards, Okla.
Allen	Clausen,	Emery
Anderson, Ill.	Don H.	English
Andrews, N.C.	Clawson, Del.	Erlenborn
Archer	Cleveland	Ertel
Ashbrook	Cochran	Evans, Del.
AuCoin	Cohen	Evans, Ga.
Badham	Coleman	Evans, Ind.
Bafalis	Collins, Tex.	Fenwick
Barnard	Conable	Findley
Bauman	Conte	Fish
Beard, Tenn.	Corcoran	Flippo
Bennett	Coughlin	Flowers
Bevill	Crane	Flynt
Bowen	Cunningham	Fountain
Brinkley	D'Amours	Frenzel
Broomfield	Daniel, R. W.	Frey
Brown, Mich.	Davis	Gibbons
Brown, Ohio	de la Garza	Goldwater
Broyhill	Derwinski	Goodling
Buchanan	Davine	Gore
Burgener	Dornan	Gradison
Butler	Duncan, Tenn.	Grassley
Byron	Early	Guyer
Caputo	Edwards, Ala.	Hagedorn

Hammer-	McDonald-	Shuster
schmidt	McKinney	Skelton
Hansen	Madigan	Skubitz
Heckler	Marks	Smith, Nebr.
Hillis	Marriott	Snyder
Holland	Martin	Spence
Hollenbeck	Michel	Stangeland
Holt	Miller, Ohio	Stanton
Holtzman	Mitchell, N.Y.	Steiger
Horton	Montgomery	Stockman
Hubbard	Moore	Stump
Huckaby	Moorhead,	Taylor
Hughes	Calif.	Teague
Hyde	Murphy, Pa.	Thone
Ire and	Myers, Gary	Thornton
Jeffords	Myers, John	Treen
Johnson, Colo.	O'Brien	Tribe
Jones, Tenn.	Oakar	Vander Jagt
Kasten	Pease	Volkmer
Kazen	Pressler	Walker
Kelly	Pritchard	Walsh
Kemp	Quayle	Wampler
Ketchum	Quillen	Watkins
Kindness	Rallsback	White
Krueger	Regula	Whitehurst
Lagomarsino	Rhodes	Whitley
Latta	Robinson	Whitten
Leach	Rousselet	Wirth
Levitas	Rudd	Wylder
Livingston	Sarasin	Wyllie
Lloyd, Calif.	Satterfield	Young, Alaska
Lloyd, Tenn.	Sawyer	Young, Fla.
Lott	Schroeder	Young, Mo.
Luken	Schulze	
McClory	Sebelius	

NOT VOTING—81

Andrews,	Fuqua	Pettis
N. Dak.	Gammage	Pike
Armstrong	Ginn	Poage
Aspin	Hall	Pursell
Badillo	Harkin	Quile
Baucus	Harsha	Rinaldo
Bedell	Hefner	Risenhoover
Bellenson	Ichord	Runnels
Bolling	Koch	Ruppe
Bonker	Krebs	Ryan
Breaux	Le Fante	Santini
Burke, Calif.	Lent	Shipley
Burke, Fla.	Long, La.	Sisk
Burleson, Tex.	Long, Md.	Smith, Iowa
Burlison, Mo.	Lujan	Symms
Burton, John	Lundine	Traxler
Burton, Phillip	McCloskey	Tsongas
Carney	McEwen	Udall
Cavanaugh	Maguire	Van Deerlin
Cederberg	Marlenee	Whalen
Chappell	Mathis	Wiggins
Conyers	Meeds	Wilson, Bob
Dent	Metcalf	Wilson, C. H.
Dickinson	Mollohan	Winn
Fary	Myers, Michael	Wolff
Fithian	Neal	Yates
Ford, Tenn.	Nix	
Forsythe	Panetta	

The Clerk announced the following pairs:

On this vote:

Mr. Wolff for, with Mr. Burleson of Texas against.

Mr. Metcalfe for, with Mr. Pike against.

Mr. Neal for, with Mr. Cavanaugh against.

Ms. Burke of California for, with Mr. Lundine against.

Mr. Baucus for, with Mr. Santini against.

Mr. Traxler for, with Mr. Chappell against.

Mr. Le Fante for, with Mr. Panetta against.

Mr. Risenhoover for, with Mr. Andrews of North Dakota against.

Mr. Ford of Tennessee for, with Mr. Cederberg against.

Mr. Conyers for, with Mr. Forsythe against.

Mr. Nix for, with Mr. Lent against.

Mr. Koch for, with Mr. Marlenee, against.

Mr. Badillo for, with Mr. McEwen against.

Mr. Mollohan for, with Mr. Ginn against.

Mr. Bellenson for, with Mr. Runnels against.

Mr. Breaux for, with Mr. Fuqua against.

Mr. Carney for, with Mr. Pursell against.

Mr. Fary for, with Mr. Winn against.

Mr. Long of Louisiana for, with Mr. Armstrong against.

Mr. Meeds for, with Mr. McCloskey against.

Mr. Van Deerlin for, with Mr. Wiggins against.

Mr. Charles H. Wilson of California for, with Mr. Dickinson against.

Mr. Yates for, with Mr. Burke of Florida against.

Until further notice:

Mr. Aspin with Mr. Gammage.

Mr. Bedell with Mr. Bob Wilson.

Mr. Bonker with Mr. Udall.

Mr. Burlison of Missouri with Mr. Rinaldo.

Mr. John Burton with Mr. Whalen.

Mr. Phillip Burton with Mr. Dent.

Mr. Fithian with Mr. Hall.

Mr. Harkin with Mr. Harsha.

Mr. Hefner with Mr. Ichord.

Mr. Krebs with Mr. Long of Maryland.

Mr. Maguire with Mr. Lujan.

Mr. Ryan with Mr. Mathis.

Mr. Shipley with Mr. Michael O. Myers.

Mr. Sisk with Mrs. Pettis.

Mr. Smith of Iowa with Mr. Ruppe.

Mr. Tsongas with Mr. Symms.

Mr. WEAVER changed his vote from "nay" to "yea."

So the resolution was agreed to.

The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

Mr. ULLMAN. Mr. Speaker, pursuant to the provisions of House Resolution 937, I call up the conference report on the bill (H.R. 9346), to amend the Social Security Act and the Internal Revenue Code of 1954 to strengthen the financing of the social security system, to reduce the effect of wage and price fluctuation on the system's benefit structure, to provide for the conduct of studies with respect to coverage under the system for Federal employees and for employees of State and local governments, to increase the earnings limitation, to eliminate certain gender-based distinctions and provide for a study of proposals to eliminate dependency and sex discrimination from the social security program, and for other purposes, and ask unanimous consent that the statement of the managers be read in lieu of the report.

The Clerk read the title of the bill.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

There was no objection.

The Clerk read the statement.

(For conference report and statement, see proceedings of the House of December 14, 1977.)

Mr. ULLMAN (during the reading). Mr. Speaker, I ask unanimous consent that further reading of the statement be dispensed with.

The SPEAKER pro tempore. Is there objection to the request of the gentleman from Oregon?

There was no objection.

The SPEAKER pro tempore. The gentleman from Oregon (Mr. ULLMAN) and the gentleman from New York (Mr. CONABLE) will be recognized for 30 minutes each.

The Chair recognizes the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Speaker, I yield myself such time as I may consume.

Mr. Speaker, there is no such thing as an easy way out of the social security dilemma. There are not going to be any more easy votes on social security. The fund is not insolvent, as a lot of people have said, but there are some decisions that have to be made to keep it from being insolvent, and those decisions are

not easy decisions. Those who would tell us that there is some easy way to solve the social security problem are not telling us the way it is.

So we bring before the House a conference report that has been extremely difficult to achieve, but one that I think responsibly faces up to the issues of social security, both short range and long range.

Mr. Speaker, let me give the Members some reasons why they should go home with a vote in support of this conference report.

First, the critical issue is: Are we keeping the fund solvent, or are we letting it go into insolvency?

If the Members vote against this bill, they are voting for insolvency for the social security fund, because that is the way it is going. There are not going to be any easier answers next year than there are now. It puts us in a surplus posture in social security for the next 25 years.

It does away with about 90 percent of the long-range insolvency.

Mr. Speaker, let me give the Members some other reasons for their support. In this conference report we provide a decoupling formula, and that is something that had to be done. If we do not face up to the problem of the cost-of-living formula that is getting us into long-range insolvency, we are going to be in real trouble down the road. In this conference report we resolve the problem of decoupling.

In this conference report we increase the outside earnings limitation from the existing amount of \$3,000 to \$6,000 over a period of 5 years for those 65 and over. A year ago no one would have thought that we could do that, but, as I say, we are providing for a significant increase in allowable outside earnings. That is something that the Members can take home. That is something the Members ought not to be voting against, believe me, when they go home and talk to their senior citizens.

We are also moving on the issue of exempting altogether our senior citizens from any ceiling on outside earnings by reducing the 72-year age limit to 70. In this bill we are saying that by 1982 anyone who is 70 years of age or older can have unlimited outside earnings and still draw social security benefits.

I would not want to go home and be recorded as having voted against that provision, because that is extremely important to our senior citizens. That is something that none of us thought was possible to achieve even a year or so ago.

There has been a great hue and cry about doing away with the 50-50 or parity in the taxable wage base between employers and employees. In the House version we stood firm on the 50-50 formula. The Senate, however, adopted a higher employer tax, and this was a hard-fought issue. The President was in support of an unlimited employer tax. I was strongly opposed to it.

We won this issue in conference. We have retained the 50-50 formula, and that is an exceedingly important issue. It is a victory for the House, and it is an issue on which we can go home and

say to every businessman up and down the street, "We won this battle, and having won it now, we are not going to be faced with it again in the immediate future." That is the message I believe we would all want to take home to the business people of our communities.

We also won the battle against general revenues. As all the Members know, from many sources from the administration on down there had been a big push toward the idea of general revenues. I am opposed to general revenues, and I will have something more to say about that in a minute or two, because I am not satisfied that our existing financing formula is as it should be. But the answer is not general revenues. We won that battle. There are no general revenues for the social security system in this bill.

There are three key issues facing us. They are issues that we must resolve in the not-too-distant future. We have set up very responsible study procedures in all three areas.

One of these issues is, of course, in the area of universal coverage, coverage of Federal, State, and local employees. In the Fisher amendment, which we retained in conference, we have provided a study, and under that study they must report back within 2 years a sound procedure to cover public and nonprofit employees under social security without doing them any harm. That is exceedingly important.

We have retained in the conference report the Jenkins amendment, which sets up a National Social Security Commission that is to look far beyond the issues being studied by the present advisory group. That Commission is going to look at every aspect of the long-range social security problem and come back to us within 2 years with some long-range recommendations.

I intended to appear before that Commission and make some recommendations as to financing, and I will get to that issue in a moment.

Mr. Speaker, a third study has to do with the problem of sexual discrimination. We need an authoritative, far-reaching, all-inclusive study by a competent group; and we have that in this package. That will come back within 6 months so that we can face up to the issue of sexual discrimination in a way that is responsible rather than through the kind of hit-or-miss operations that we have seen going on in the courts.

Mr. Speaker, I do not like the increase in payroll taxes any more than any other Members do. At the present sitting we have no alternative. We have brought before the House a conference report, however, that has no increases in 1978, either in tax or in base.

In 1979 we go back to the House formula on base increases. We have a very minor rate increase. Then after 1982 the usual automatic increases in the base will continue.

However, let me say this: A few years ago there was a great deal of talk of not wanting to go beyond an overall of 10 percent on payroll taxes. I concurred then, and I concur now. My judgment

is that we should come back to that figure.

Mr. Speaker, I want to assure the Members of the House today that if we bite a hard bullet now and do the responsible thing and vote for this bill and keep the system in a position of solvency so that we can have time to work in a reasonable and studied atmosphere, it will be the intention of the chairman and of the Ways and Means Committee, if I remain as chairman, to move toward an alternative financing mechanism in social security so that we can back off on social security taxes. That is the way it has to be done. We simply cannot vote down a social security package when the fund is being depleted and go home and say that we have responsibly faced up to our responsibilities in social security legislation. Just keep in mind that a bigger and bigger block of our constituencies are senior citizens who have to depend upon social security as a major part of their retirement program. This bill will make sure that they have benefits when the day comes that they need them.

In addition, this also equally goes for all of those who are working now. They come to me and say, "Will there be funds in the social security system when I retire?"

Mr. Speaker, I want to say that if the Members vote for this bill, they can say, "Yes, there will be funds in the social security system when you retire."

If we vote against this bill and it fails, we cannot go home and say to either the people who are working or to the people who are on retirement and count on that check to keep them living, that we have acted responsibly.

Mr. Speaker, I make a plea to all of the Members. Let us vote for this bill, which is the best that we can achieve. If we put it off until next year, there are not going to be any easy answers then. We have looked at all of them. We have looked at all of the alternatives. Let us not kid ourselves that we can come back next year and find some easy answer. It is not going to be there. We may have to do something even tougher than this if we wait longer.

Therefore, Mr. Speaker, I make a plea that the Members vote for this package now. Then they can go home and tell their constituencies, "The fund is solvent. Those moneys will be there when you retire." The Members can also tell them that the chairman of the Committee on Ways and Means has assured them publicly that he will move as expeditiously as possible, certainly within the next 5-year time frame, toward adopting a new revenue mechanism whereby we can back off from these major increases, but the problem that some are talking about is down the road, 5 or 6 or 8 or 10 years from now, not now.

But before the big bite takes place I want to assure the Members that we will be able to come in with a better financing mechanism. We will be able then to bring the payroll tax into a more reasonable posture.

So, Mr. Speaker, I rely on the good judgment of the Members to stay with us and vote for the best package it is

possible to achieve now and the best package that it will be possible to achieve next year or the following year, and then let us attempt to face up to these long-range issues.

We have the three studies going that will result in many recommendations. We also will have the commitment from the chairman of the committee that we will move to alternative financing.

So I certainly make the plea to the Members: Let us vote for this conference report which is reasonable and which does put the social security system back into a condition of solvency.

Mr. ALLEN. Mr. Speaker, will the gentleman yield?

Mr. ULLMAN. I yield to the gentleman from Tennessee.

Mr. ALLEN. Mr. Speaker, do I understand the distinguished gentleman in the well to say that under the conference report that neither the tax rate nor the tax base is increased by so much as one penny next year?

Mr. ULLMAN. Not one penny more than existing law.

Mr. ALLEN. In other words, if we do not pass this act today we are not going to impair the revenues that will be going into social security next year by 1 cent; is that correct?

Mr. ULLMAN. That is correct except that we will be failing to face up to the issue of decoupling which is critically important at this time and simply delaying the implementation of outside earnings' liberalization which is very important to the gentleman and all of the rest of us, and failing to do a number of other things that need to be done that are part of this reform package.

Mr. ALLEN. If the gentleman will yield still further, what I am wondering about is why, if this is not going to take care of an immediate financial deficit in the social security fund, and if we are not going to have any more money in that fund next year, why, in other words, if this bill did not pass at this time, why this could not have been delayed until January or February and have it considered in a more orderly fashion and in time to take care of these other things we have to face?

Mr. ULLMAN. I would say to the gentleman, it is simply because the social security system requires a long lead time. The trust funds are getting rapidly to a posture of insolvency and if we do act now so as to begin turning it around, we are going to be in a very serious deficit posture. The Disability Fund may run out of money early as the end of next year. The economy would not have to turn down very much in order to get those funds into total insolvency. It seems to me that this is something that no Member of this Congress can afford to delay because we are running into the very serious chance that that might happen.

Mr. WHITE. Mr. Speaker, will the gentleman yield?

The SPEAKER pro tempore. The Chair would like to advise the gentleman from Oregon (Mr. ULLMAN) that he has consumed 16 minutes.

Mr. ULLMAN. Mr. Speaker, I yield

myself 1 additional minute and I yield to the gentleman from Texas (Mr. WHITE).

Mr. WHITE. Mr. Speaker, I thank the gentleman for yielding.

Mr. Speaker, because of the differences between the House drawn bill and the Senate bill, there is something that disturbs me, and that is that the Senate provides, as I understand, that an existing civil service retiree's dependent will have an offset of her benefits from the social security system if she is receiving civil service retirement. As I understand, the conferees came back and gave a 5-year moratorium on this, but for those who do not come under the 5-year moratorium, that is during those 5 years they are in effect losing the benefits of the social security taxes that they put in for the early part of the year or during their work period.

Mr. ULLMAN. Only the people who have not had it in the past. The court decision put a lot of new people in. Those people who are newly brought in will come under the offset but those people who were eligible or who will be eligible in the next 5 years will not. Remember, we are only talking about the spouse's benefit. We are talking about a situation where a social security retiree has a wife who gets a spouse's benefit. If that spouse in turn has a Federal or a public retirement income, that will be offset. This was what the Senate amendment provided.

Mr. WHITE. This is strictly for new category people who have never been in it before.

Mr. ULLMAN. The Goldfarb decision made an awful lot of new people eligible for husbands' and widowers' benefits and what this provision does is it keeps the new people from going on, but for those people who were eligible under the old system, we have delayed the implementation of this for 5 years. Anybody who becomes eligible in 5 years, will get an exemption from this inclusion and will be able to draw both.

Mr. WHITE. Let me give the gentleman a quick hypothetical to be sure I understand. A person has worked in private employment prior to going with the Federal Government. He has built up a social security system fund, that is, he has been paying in so he has his quarters in and would be eligible upon his eventual retirement. When that person retires, or say that person dies, his survivor would be entitled to his social security retirement. Does he also have an offset against his social security?

Mr. ULLMAN. For the individual involved, if he had both retirements, it does not impact him at all. He can draw both his public pension and social security.

Mr. WHITE. After 5 years.

Mr. ULLMAN. But we are only talking about the spouse, in a case where the spouse also has a retirement. She worked, and she has a retirement from either the Federal or local government. Her husband retires. She would normally get the spouse's benefit. We are saying she can still get it. If she is eligible at the end of the year or if she becomes eligible within 5 years, she can still get it. So what we

have done is delay the implementation to that extent. I think the gentleman will find this has taken care of most of the problems. We fought hard in the conference to eliminate this provision altogether. We could not win, but we modified it in a way that will take away most of the impact and correct most of the inequities that would have resulted.

Mr. CONABLE. Mr. Speaker, I yield myself 10 minutes.

(Mr. CONABLE asked and was given permission to revise and extend his remarks.)

Mr. CONABLE. Mr. Speaker, let us not delude ourselves—or anyone else—on this social security conference report.

The other body has approved it, and apparently there are enough votes in this Chamber to send it to the White House for signature into law. It seems we are faced with a fait accompli.

Even so, it is important for every Member here to understand exactly what a vote in favor of this report really means.

Primarily, it means a monstrous burden not only on the 107 million American taxpayers who already are supporting the social security system, but on all future generations of contributors as well.

For those paying the maximum, it will cost an additional \$6,257 over the next 10 years. That averages out to \$52 per month per taxpayer over the decade.

In the aggregate, the report will increase payroll levies over the next 10 years by an estimated \$227 billion, thus giving it the notoriety, if not the distinction, of constituting the biggest peacetime tax increase in our history. How's that for a budget-balance for the Government, and a budget-buster for the American worker?

Despite this enormous yield in new taxes, the report leaves the social security system actuarially imbalanced—with a long-range deficit averaging about 1.45 percent of taxable payroll. Translated into dollars and taxpayer impact, that means our children and our children's children will have to raise an additional \$750 billion plus accruing interest to keep the system going to the middle of the next century.

Second, a vote for the report means a vote to depress the jobs outlook even further, at a time when the unemployment rate continues to hover around 7 percent. Any economist worth his salt will tell you that increasing payroll taxes cuts employment prospects, and it is axiomatic that the more you tax employment, the greater will be the magnitude of unemployment.

In commenting recently on the higher social security levies contemplated by the Congress, a Washington Post editorial writer noted:

These next few years are going to be a particularly bad time for the Federal Government to impose this kind of tax on labor. Because of the very high birth rates in the 1950s and early 1960s, unprecedented numbers of young people will be pouring into the job market. At the same time women are increasingly looking for paid work outside their homes. The proportion of the American population actually holding jobs has never before been as high as it was in November, according to the Bureau of Labor Statistics.

But the unemployment rate—still a painfully high 6.9 percent—is evidence that the number who want to work is even higher.

Congress keeps saying that, as a matter of national policy, it wants those people on payrolls. Quite right. But in that case, it does not make much sense to put a stiff and steadily rising, tax on the payrolls.

I happen to agree with the thrust of that editorial. I also believe that a third result of a vote for this report will be a greater clampdown on capital formation. Again, economists tell us we need greater capital formation, not less, yet this conference report gives us a great deal less for many years to come.

Mr. Speaker, we keep hearing our fiscal cheerleaders mouth those familiar buzz words—"capital formation" and "jobs creation"—but when the legislative chips are down, we do little to encourage either, as the history of this legislation shows so well.

The massive payroll taxes embodied in this conference report simply are not necessary. We did not have to take this route to save social security.

More than 4 months ago, some of my colleagues joined me in presenting for the consideration of the Congress a comprehensive, 15-point proposal which would have achieved several important objectives. Most importantly, it would have solved the social security system's financial problems for at least the next 75 years without increasing the tax rate more than 1.2 percent on the employer and on the employee. The proposal also would have made a number of substantive improvements in the equity of the system.

Although several major newspapers praised it editorially, and a number of social security experts thought it worth considering, the proposal was not embraced by the Congress. I suspect, Mr. Speaker, that its lack of acceptance in this body can be traced to an unreasonable fear of its two most controversial points—those calling for social security coverage of Federal civilian employees and for gradual advancement of the eligibility age for full retirement benefits to age 68, starting after the turn of the century and not becoming fully effective until 2011—34 years from now.

Those two points were rejected this year, but I want to make a prediction, Mr. Speaker: I predict that both will return as issues, stronger than ever, in the not-too-distant future.

More than 100 million Americans are covered under social security—mandatorily. Some of them might not want that protection, but they are forced by law to have it. Some 6 million Americans—42 percent of them Federal workers—are not covered under social security.

The ratio is about 17 to 1. And it is becoming increasingly difficult for the "17" to understand why the "1" is not covered. An increasingly enlightened number of those who are mandatorily covered are wondering why, if social security is good enough for them, it is not good enough for a relative handful of government employees, including us. I would think that military employees of the Federal Government, who have been

covered under social security for years, also wonder about that.

From our own point of view, it will be increasingly difficult, politically, to continue raising taxes for others and not for ourselves. It also will be increasingly difficult to continue the charade of keeping those who administer the social security system outside its coverage—without a personal stake in its financing.

For those reasons, Mr. Speaker, I believe that the issue of social security coverage for Federal workers is far from dead. It is just dozing, and will be wide awake again soon. Knowledgeable citizens resent the omission of civilian Federal coverage; knowledgeable Federal employees are beginning to realize the benefit to them of inclusion.

I also predict that the House eventually will have to face up to the issue of an advanced eligibility age for full retirement benefits. Americans not only are living longer, they are living longer productive lives. Older people are disenchanting with mandatory retirement policies and in the next century they are likely to be needed in greater numbers in the labor market.

A declining birth rate has assured us of a smaller work force in decades ahead, which means there will be fewer workers contributing to social security while more will be retiring and drawing benefits. The ratio of worker to beneficiaries is about 3 to 1 now. In another generation, it may be 2 to 1.

The demographics are clear, Mr. Speaker, and they point directly toward consideration of this issue. We should be honest about it, and not pretend we have avoided it. We cannot do that.

If we should decide to advance the eligibility age for full retirement benefits, we should make the decision to do it sooner rather than later. The fairest thing we could do, if we should decide to make this move, would be to give affected workers as much advance notice as possible. The most unfair thing would be to make such a decision years from now, when the social security system faces another financial crisis and there is no time for adequate warning.

I will make another prediction, Mr. Speaker. If we do not decide to make such an adjustment, we will be forced to turn to other avenues of financing.

Seven years ago, my Republican colleagues and I on the Ways and Means Committee warned:

We simply must remember that the income . . . a worker can . . . devote to future contingencies is limited by his ability to meet the immediate needs of his family. If the cost of social security cuts too deeply into daily living requirements, people will begin to make unfavorable comparisons between current costs and distant benefits. If the time ever comes that current workers are unwilling to bear the cost of providing benefits to current retirees, the social security system will be in real danger . . .

That warning, if not prophetic, was at least appropriate.

If we have not reached that danger point yet, we will—by taking the direction of this conference report.

I am convinced that we cannot continue to use the payroll tax to do all that we want to do with social security.

A leading alternative is, of course, the use of mythical general revenues. The Treasury is in heavy deficit, so what we really mean by general funding of social security are huge borrowings by the Treasury, which increase our public debt and ultimately lead to inflation and higher taxes for all.

Another alternative is to treat the medicare program realistically and divert at least half of the taxes now used for that purpose to the old-age, survivors, and disability insurance trust funds. Those two trust funds pay social security benefits based on wage-related contributions. The programs are actuarially based.

This is not the case with medicare. Although part A of medicare, which pays hospital costs, is financed entirely through the payroll tax, the program is not actuarially based. One does not benefit from it according to one's contributions, but according to one's medical needs.

It should be noted that part B of medicare, which pays for physicians' services, never has been financed through the payroll tax. Initially, the cost was borne half through premiums paid by participants and half through general revenues. Now, general revenues account for some 65 percent of part B expenditures.

If general revenues are to be used to help "bail out" the social security system, then I suggest the sound way to do it would be to divert half the medicare taxes to the "real" social security programs, and replenish the hospital trust fund from the Treasury. This would put the OASDI, or cash benefit, programs on a sound financial basis virtually indefinitely, without requiring any tax increases above present law levels.

This proposal was the essential element of the Republican motion to recommit the Ways and Means Committee's social security bill on the floor of the House October 27. The motion failed, 363 to 57.

Nevertheless, I predict that proposal, too, will make a comeback.

One final prediction, Mr. Speaker: I hope no one thinks the proposal for a tuition tax credit, which briefly held up agreement on the social security conference, is dead. It, too, is merely sleeping.

The resolution of the conference dilemma turned out to be another maneuver, oft repeated in the past, to deny the House an opportunity to work its will on the tuition tax credit concept. Its day also will come.

I find it interesting that the same conferees, and the same administration, that decried the tuition tax credit as a sop to some members of the middle class would endorse so warmly a conference report that is so deliberately burdensome to the entire middle class.

Mr. Speaker, I was a conferee but, for the reasons I have indicated, did not sign this conference report.

I believe it has some good provisions. Its decoupling-wage indexing "package" is sound. It also moves in the right direction by improving, ever so slightly, the treatment of widows and divorcees, and for those who have worked many years by updating special minimum benefits

under social security at relatively low wages. These provisions were derived from the 15-point proposal, offered by Republicans, to which I referred earlier.

But the total tax load which this report piles on the backs of American taxpayers is unacceptable to me. And I frankly do not believe the Congress will find it tolerable for very long, because our constituents will insure our continued interest in this continuing disaster.

A vote against this bill will not end social security. It will give us a chance to reconsider a major mistake.

Mr. SCHULZE. Mr. Speaker, will the gentleman yield.

Mr. CONABLE. I yield to the gentleman from Pennsylvania.

(Mr. SCHULZE asked and was given permission to revise and extend his remarks.)

Mr. SCHULZE. Mr. Speaker, the passage of the social security finance bill should be a matter of concern to every Member of the Congress and to the citizens we represent.

This bill is the most expensive peacetime tax increase in American history. Over the next 10 years, the American taxpayer will have to come up with an additional \$227 billion as a result of this social security bill.

The impact of the new social security legislation on the typical American family is significant. By 1983 the \$10,000 per year wage earner will have paid \$131 more as a result of this bill. By 1987 that same worker will have paid a total of \$376 more in taxes. The situation is similar for the \$20,000 per year wage earner, who by 1983 will have had to pay \$328 in additional taxes, and by 1987 will have paid \$838 in additional social security taxes.

What makes this burden doubly offensive is the fact that this legislation does not address the long-term ills of the social security system, but merely represents a band-aid approach. We must be able to assure the young people entering the work force today that they will inherit an actuarially sound system.

The 15-point alternative proposal which was introduced by the Republican members of the Ways and Means Social Security Subcommittee, of which I am a member, could and should have been adopted by this body. The proposal addressed itself to the long-term deficiencies of social security and would have: First, made the social security system financially sound for at least the next 75 years with less than a 1.2-percent tax increase over present rates for the 75 year span; second, strengthened the insurance character of the program; third, improved the treatment of women under the program; fourth, made long needed adjustments to reflect changes in living and working patterns of the American people.

We must also be aware of the additional tax burden which could result from passage of the administration's energy proposals. There is a limit as to how much can be squeezed from the American taxpayer.

It will be necessary to cut taxes \$20 billion per year for the next 10 years

just to maintain the current level of spendable income for the American taxpayer after the passage of this measure.

I believe we, as representatives of the people, owe the American taxpayer an additional look at the possible alternatives to this bill.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the chairman of the Social Security Subcommittee, the gentleman from Massachusetts (Mr. BURKE).

(Mr. BURKE of Massachusetts asked and was given permission to revise and extend his remarks.)

Mr. BURKE of Massachusetts. Mr. Speaker, we have before us today the conference report on H.R. 9346, the Social Security Financing Amendments of 1977. This is the most important piece of legislation we have had before us in this Congress, as it provides for the financial stability of the social security system well into the next century. It provides assurance to the elderly of this Nation that their benefit checks will be forthcoming, and it restores the confidence of the workers of this country that the social security system will continue as a sound and viable institution.

In addressing the problems of financing the system we are faced with the difficult task of increasing revenues. This legislation, H.R. 9364, will perpetuate the present system whereby the cost of social security is divided evenly (50-50) between the employee and the employer. The bill calls for increases in the tax rates and the wage base, beginning in 1979.

Alternative methods of financing the system have been recommended and I think it is incumbent on this Congress to seriously review them. The use of general revenues has been suggested for the medicare program, the disability insurance program, and I have introduced legislation to provide that one-third of the cost of the entire social security program be financed from general revenues in order to mitigate the regressivity of the payroll tax and its dampening effect on the creation of jobs.

The tax burden on the workers of this Nation is becoming onerous and I, therefore, believe that we must begin active consideration of alternative financing methods for social security.

As the chairman of the Social Security Subcommittee, I commend my colleagues for their responsible actions to assure the integrity of the social security system. I caution you that the tax burden is getting too high, and I therefore strongly recommend future consideration of alternative methods of financing the social security system.

Mr. Speaker, I just would like to point out to my good friends who are opposing this bill that the day of rhetoric is over. For 2 years I have been trying to get a bill through this Congress to bring about the stability of the social security system and all we hear is nitpicking, nitpicking on one side or the other.

The whole thrust of this legislation is to assure the elderly of this country that their checks will be forthcoming, that the working men and women of this country who are on the work force today will be able to expect that their social

security benefits will be forthcoming when they retire. We have been battling this up and down the road. All I hear is nitpicking and politicking about what the effects of the politicking is going to be.

The truth of the matter is that we have a responsibility in this Congress, a responsibility to enact the funds that are needed to enact the taxes that are needed. Do we hear of anybody who is opposing this bill recommending cutting down on the benefits? Oh, no. Look down through the rollcalls in the RECORDS, down through the years—they have voted for everything. They want to be loved by everybody, but today here we are setting legislation, as the chairman of the Ways and Means Committee has so well pointed out.

A vote against this bill is a vote against the elderly of this country, and that is the way it is going to be classified. A vote against this bill is a vote against the working men and women of this Nation who expect that those benefits will be there when they reach retirement age.

There are no two ways about it; you are not going to be loved by anybody if you vote against this bill. Believe me, you better have your asbestos pants on once that happens.

Mr. CONABLE. Mr. Speaker, I yield 5 minutes to the gentleman from California (Mr. KETCHUM).

(Mr. KETCHUM asked and was given permission to revise and extend his remarks.)

Mr. KETCHUM. Mr. Speaker, as I listened to that silver-tongued orator, the chairman of our committee, I almost got confused enough to vote for this conference report, he made it sound so good. As a member of the conference committee we are bringing you today the Carter tax increase bill of 1977, and one can define it no other way, because it is a tax increase bill, make no mistake, and it is the Carter bill. As the gentleman from New York pointed out, it is the greatest tax increase in peacetime history.

Yet, the chairman points out to us that we can go home, and if we get a chance to get a word in edgewise with those working folks, we can tell them all the wonderful things we are doing for them here. Why, we are going to reduce that earnings limitation down to age 70. Now, that is a step in the right direction, but this House voted to eliminate the earnings limitation at age 65.

The chairman, when we were debating that issue, said that is just going to benefit rich folks. Well, I submit that there are rich folks at age 70, so I really do not know what the difference is. But, the House voted to eliminate the earnings limitation at age 65.

The conferees on the part of the House debated that issue, oh gosh, almost 5 or 10 minutes before they receded and accepted the Senate's version. I was constrained to comment during the process of the conference, after receding and receding and receding until our bill was not even recognizable, that I was going to ask Allen Drury to ghostwrite a book for me called, "Recede and Accept," because that is all we were doing.

Nobody has mentioned, or at least very briefly mentioned, all these marvelous welfare benefits. I do not know what that has got to do with social security, because the Ways and Means Subcommittee on Public Assistance sent a bill in June to the Senate to which all of these could have been attached, and as a matter of fact were attached, but was just never sent back here.

Now, you go home and tell those working men and women that you have really done a whale of a job for them. Now, Mr. ALLEN, my friend from Tennessee, asked the most pertinent question here: No matter what happens, whether we pass or fail on this bill today, it is not going to make a bit of difference—not one iota of difference—next year. And, he is right. It is not.

Then, the chairman said, "You go home and tell those people that the chairman of the Ways and Means Committee promises them that, in any event, we are going to change this so that this bite will not be so hard." I submit that if he can do it in 5 years, he can do it now.

As a matter of fact, as the gentleman from New York (Mr. CONABLE) suggested, those alternatives were placed before the Committee on Ways and Means. We are doing so much bullet-biting around here, we might as well bite one now and bring in the Federal employees, cover everybody, raise the age of retirement in 20 years, but do it gently. We could have done that. We could have had a bill. We could have had a good bill, one we could be proud of, and it could be done next year. There is no race to get this bill done. I submit to the Members that when they go home I do not know who they are going to be able to sell this program to, because they are liable to be asked two questions. One, our constituents are going to say, "Mr., Mrs. or Ms. Congressman, did you vote for that massive tax increase?" And if the Members must reply in the affirmative, I hope that their constituents ask them the next logical question, "Do you Congressmen have to pay this tax?" And when the Members tell them, "No," that is when the Members better have asbestos pants on, because they are going to have to be honest and tell them that they do not.

So I would hope that this body would exercise some judgment and turn down this conference report, and let us see if the Chairman of the Committee on Ways and Means can deliver on his promise that we can indeed structure this mechanism in a way that it will not be so onerous on our taxpaying citizens.

Mr. CONABLE. Mr. Speaker, I yield such time as he may consume to the gentleman from Washington (Mr. CUNNINGHAM).

(Mr. CUNNINGHAM asked and was given permission to revise and extend his remarks.)

Mr. CUNNINGHAM. Mr. Speaker, the radical increase in social security taxes is presented to us today in the form of the conference report on H.R. 9346. It will burden the taxpayers of the country and the employers as well with a

rapidly rising wage base and rate assessed against those wages.

We are told there is no other way to bail out this faltering program but to throw good money after bad. That timid approach to real reform leaves me cold.

I want to make certain that people retiring are sure of receiving a fair share of their contributions. I do not want to abandon these people to the uncertainties of their future. But neither do I want to saddle future generations with outrageously high taxes when there might be a real answer in true social security financing reform.

We are told, cynically, that the administration cannot offer people an election year tax cut without this 1977 non-election-year tax hike. This is the most callous explanation that I have ever heard. It is the old case of out one pocket, in the other.

The American people should call those Members to account who vote for this tax increase. They are big spenders, not true reformers. And they should remember next year when they are magnanimously bragging about a great tax cut the bitter prelude which they are giving American citizens and businesses today.

I urge a no vote on the conference report so that we can truly reform social security.

Mr. CONABLE. Mr. Speaker, I yield 6 minutes to the gentleman from Texas (Mr. ARCHER).

(Mr. ARCHER asked and was given permission to revise and extend his remarks.)

Mr. ARCHER. Mr. Speaker, I was a member of the social security financing conference, but I also did not sign the report. I can think back to the Congress in 1971 and 1972 that passed a 30-percent increase in benefits to social security recipients in 1 Congress, 10 percent in 1971, another 20 percent in 1972. The latter 20 percent was not accompanied by any tax increase whatsoever, and I voted against that. So I would say to the chairman of our committee that was the tough vote for me. But at that time I predicted the deficits that were coming in the social security program. Had that 20-percent increase only been 10 percent, we would have no deficits today. We would not be on this floor today, because benefit increases far exceeded the cost of living and they were politically motivated, as every Member of this Chamber knows. And so we have the problem that we have today.

Parts of the report we are considering would improve the social security structure substantially, particularly the provision that decouples and overcomes part of the additional problem that was created in 1972. It stabilizes wage replacement ratios in future benefits.

I also approve of freezing the minimum primary benefit and I think it is a step forward to permit widows and widowers over 60 years of age to remarry without losing their benefits, without having to "live in sin" in order to receive their benefits. But I cannot support the oppressive tax increases which this report provides. They represent a potentially dangerous blow to middle-income and self-employed per-

sons in this country, and they clearly would serve as a depressant to capital savings which we do desperately need to reinvigorate our economy. Small businesses are going to be adversely hit, less able to cope with these increases than major corporations.

Many cost figures are being tossed around today in the debate on this report, and I do not want to add to the statistical barrage. But I do think it is important to note that this legislation will cost those wage earners who earn \$20,000 at least \$838 more per year than under the present law over the next decade, and it will cost those who earn \$10,000 a year \$386 a year more. To some observers these may not seem to be awesome amounts, but to the wage earners themselves, from whom I have heard in great quantity, they loom large, indeed. For most of them, this bill offers nothing; for all of them it takes away.

Possibly the worst feature of the bill is its drastic increase in the maximum taxable earnings base. This was done based on the uninformed view that it is a wonderful financing method, and that is not the case at all. What really happens is that benefit liabilities for the future are raised, offsetting a large part of the additional revenues that are obtained in the near term. It actually is, to a large extent, a "fly-now-pay-later" approach. The result is to put more of the economic security responsibility of the Nation on the Government and thereby less on the private sector and on individuals.

The most illogical segment of the scheduled increases in the earnings base takes place from 1980 to 1981, when there is a huge jump of \$3,800 in 1 year, from \$25,900 to \$29,700. Half of this actually occurred because of a technical blunder.

When the so-called Fisher amendment to remove Government employees from compulsory coverage was adopted, it carried with it what was supposed to be adequate financing to offset the coverage lost. Part of this financing came incorrectly from a further increase in the earnings base of \$1,800 over what the committee originally intended. This should never have been done, because there is no valid relation between the level of the earnings and the coverage of Government employees.

In addition, this bill still leaves the social security fund in a long-term deficit of over \$1 trillion when paid over the years ahead. That is based on actuarial estimates that presently call for roughly a 5½-percent increase in the CPI, reduced to 4 percent for the balance of the years ahead. If we can hold inflation in this country to 4 percent, with the Nation's deficit spending going on, it will be a miracle indeed. I do not think anybody believes the rate of inflation will stay at 4 percent or less. These projections are inadequate and inaccurate, and portend even larger deficits in the light of reality.

Those are a few of the problems I see, Mr. Speaker. We could have worked this out in a different way. I cosponsored with the gentleman from New York (Mr. CONABLE) a comprehensive method to solve the social security program's problems

which he mentioned. Unfortunately, that was not accepted.

When the full import of this legislation is felt across the country, the words of warning of the Republican Members during the past 7 years about the dangers inherent in rising payroll taxes will finally get the attention they deserve from the American people. Because we then may face a different kind of social security financing crisis—one involving taxpayer revolt.

Mr. Speaker, I urge a vote against the conference report.

Mr. ULLMAN. Mr. Speaker, I yield 2 minutes to the gentleman from Louisiana (Mr. WAGGONNER).

(Mr. WAGGONNER asked and was given permission to revise and extend his remarks.)

Mr. WAGGONNER. Mr. Speaker, the easy answers for financing social security are all gone. There are no easy answers left. All we are left with are bad alternatives, and I submit to the Members that this conference report is the best of those bad alternatives.

What are our options? Our options are, first, to do what this conference report proposes. This legislation does a number of things that many of you are interested in, and in spite of what some say, it does improve the present social security system. It is a better bill than the House passed and better than the Senate passed.

This does raise taxes, but it raises benefits later for people who pay those taxes, and salaries are going up from which to pay those taxes. I dislike this as much as anyone but it is necessary.

This conference report maintains parity, and many of those who oppose this legislation will admit that has been a big argument. We do not unbalance the employer-employee contributions.

This does not allow Treasury borrowing, and many of the Members who are opposed to this conference report have been opposed to Treasury borrowing. You say it would convert social security to a welfare program and I agree.

The conference report does decouple. It corrects the mistake we made in 1972. It stabilizes the trust fund, because the actuary says that the OASDI trust fund will be stabilized until the year 2030. The DI trust fund will be stabilized until the year 2007, and the combined trust fund will be stabilized until the year 2027. If we do not do this, the DI trust fund will be bankrupt by 1979.

The OASDI trust fund will be bankrupt in 1982. What will you do then? I will tell you what—you will borrow from the Treasury.

Put it off until next year? How many of the Members are going to have nerve next year to raise the tax rate and stabilize the trust fund when it is an election year which we do not have now? Few indeed, because most of you will be trying to save your political hides instead of social security.

Bite the bullet? You will be biting marshmallows then because you will not bite that bullet now. You are going to run from it. How many of you will change your minds between now and January? Few if any.

Mr. Speaker, the second alternative to this is Treasury financing, and Treasury financing is what many Members have been trying to avoid, but that is what you are going to have if you vote against this conference report. If you vote against this conference report today you are casting a vote for Treasury financing of social security when the trust fund goes broke and that is just around the corner. Can you live with that? I think not.

Of course, Mr. Speaker, there is another alternative and that is to do nothing ever. Just consign social security to the tube. Say to hell with it. And I submit that is almost what you are doing if you reject this conference report.

Mr. CONABLE. Mr. Speaker, I yield 2 minutes to the gentleman from Wisconsin (Mr. STEIGER).

(Mr. STEIGER asked and was given permission to revise and extend his remarks.)

Mr. STEIGER. Mr. Speaker, I was not on the conference committee, but I watched it carefully.

It is unfortunate that the CONGRESSIONAL RECORD does not allow us to reprint Herbblock cartoons because this morning's cartoon said it all and said it well.

This is a ticking time bomb. It is a Christmas tree time bomb that this Congress is leaving for the American people if the conference report is adopted.

Mr. Speaker, I most respectfully disagree with those who say that this unwarranted tax increase is needed at this time. It is not.

For those who voted for the House bill, may I suggest that you take a look at the decisions that were made in conference that led me to the conclusion that this conference report is a step backward even from the House's version. The outside earnings limit was reduced from that which was adopted by the House, another significant step backward was taken in terms of equity between men and women in an effort to get rid of gender-based distinctions.

Furthermore, the tax burden imposed is higher than that proposed under the bill adopted in this body.

For those reasons, Mr. Speaker, it seems to me that the American people would be better served by rejecting the conference report and attempting to see whether we cannot convince the Committee on Ways and Means and the Committee on Finance in the other body of the sound alternatives that exist, which do not impose this kind of tax increase.

The conference report is a bad one, Mr. Speaker, and it ought to be voted down.

Mr. CONABLE. Mr. Speaker, I yield such time as he may consume to the gentleman from South Dakota (Mr. PRESSLER).

(Mr. PRESSLER asked and was given permission to revise and extend his remarks.)

Mr. PRESSLER. Mr. Speaker, I am voting "no" on both the rule and on final passage of the social security bill today. Since coming to Congress, I have been a strong proponent of the rights of older Americans and the solvency of the social

security system. But the Senate and the conference committee have made changes that detract from this bill. This bill is a mess. Since it does not go into effect until 1979—the year after elections—I advocate that we defeat this bill and roll up our sleeves to produce a good bill. Here in a nutshell are some of my objections:

First of all, the taxes in this bill are higher than the House passed version. The rates are higher. Also the earnings limitations has been restored for which I voted to eliminate on the House side. I am disappointed that the sex bias portions of the bill have been taken out. I have received dozens of letters from my constituents outlining their problems in obtaining the social security benefits that are rightfully theirs, but which are denied to them directly or indirectly due to sex.

The House bill eliminated this discrimination. If the House language had been adopted, husbands would not have to prove their dependency upon their wives for financial support; nor would such proof be necessary for widowers to receive benefits for dependent children.

I am also concerned about the changes in veteran's benefits. There exists within the present system a built-in hardship for our veterans. Each time social security benefits increase, veterans benefits decrease. If we are truly looking for reform we should look for long-term solutions to the difficulties veterans encounter with seesawing benefits. A short-term solution to this hardship would be to leave veteran pensions intact.

Another concern I have is that the tuition tax credit portion was taken out, although five other none germane amendments were left in. I am a cosponsor of a bill that would encourage a tax credit for post-secondary students. Also, I think that the actuarial and the tax rates and the tax methods of this bill are not as good as we could have. As I have pointed out above, this bill will not go into effect until 1979, the year after the election, thus we have a full year in which to correct it and I believe a defeat of the bill today would be good so we could go back to the drawing boards.

Finally, the bill does not contain something I have long advocated. Since coming to this Congress, I have voted against every foreign military aid bill based on my experiences while serving in the military and as a Rhodes scholar abroad. I have visited over 40 foreign countries and became convinced that our foreign military aid is a mistake. I have advocated transferring 20 percent of this foreign military aid into a social security effort. This would result in the solvency of the program.

In short, our priorities are wrong. We are taxing and taxing without carefully analyzing our Federal budget. For this reason, I have voted "no" on both the rule and the social security bill today.

Mr. CONABLE. Mr. Speaker, I yield such time as he may consume to the gentleman from Florida (Mr. YOUNG).

(Mr. YOUNG of Florida asked and was given permission to revise and extend his remarks.)

Mr. YOUNG of Florida. Mr. Speaker,

today we will vote on the conference report to accompanying H.R. 9346, the Social Security Financing Amendments of 1977. There are several provisions contained in the conference report which would bring about changes in present law which I have actively sought to correct. As originally passed by the House, this legislation would have phased out the present limitations on outside earnings by 1982. Although the conferees did not agree to this language, they have agreed to increasing allowable earnings to: First, \$4,000 in 1978; second, \$4,500 in 1979; third, \$5,000 in 1980; fourth, \$5,500 in 1981; and fifth, \$6,000 in 1982 with further increases determined by the state of inflation. The conferees have also agreed that in 1982 the age for those persons subject to the earnings limits will be reduced from 72 to 70. Although this action may not appear to be of great importance to some, for many persons living on a fixed income it will be of great assistance.

This legislation will also prevent a reduction in benefits for widows or widowers aged 60 and over who remarry. Many of our senior citizens were hesitant to remarry after losing their spouse because they were faced with a reduction or complete termination of their surviving spouse benefits. I am sure that you have all heard of cases where elderly people were faced with living their remaining years alone or "living in sin" as some call it, because they simply could not survive without the income they would lose by remarrying.

We are all aware that the growing problem with the social security system is that as the average life span increases and as benefits of retired workers continue to rise, outgo from the social security trust fund is exceeding income. According to the 1977 annual report of the social security system's Board of Trustees, the disability insurance fund will exhaust its back-up reserves in 1979, and the retirement and survivors fund in 1983, unless Congress makes the necessary financial improvements. Because of this predicament, it is clear that Congress has to make some hard decisions as to the future direction of the social security system so that income to the trust fund will be adequate to meet benefits for recipients.

In view of this, the Congress really has only two options. Either to provide additional income to the social security trust fund or allow the trust fund to be depleted and fail to meet the financial obligation to the millions of Americans now on social security as well as those who have been paying into the program but have not yet reached retirement age. Incidentally, in Pinellas County, Fla., which is my home there are 230,000 people receiving social security benefits, and for many of them this check is their only source of income. As a consequence, this money is kept in circulation. Most of these senior citizens do not hoard their money or hide it away. They spend it. Pinellas County's economy is strengthened by the \$50 million in social security benefits received in our county each month. These social security checks are cashed and spent with local

merchants for the purchase of those services and items necessary to meet one's daily needs. If the \$50 million put into the Pinellas County economy every month, via the distribution of social security checks, were to all of a sudden stop because there were no longer any funds in the social security trust fund, the businessman and his employees would be severely affected, as well as those social security beneficiaries whose income would stop. The basic decision which we have to make is this. "Is the social security program important enough to warrant imposing additional taxes to keep it sound?"

I share the concern expressed by many over the fact that the Federal Government has placed the burden of bailing out the ailing social security trust fund on businesses and working people, but actually, who else is there? These are the very same people who have always paid for every government-sponsored program in the past and who will continue to do so in the future—even those programs which are excessive and wasteful. At least there is little fraud and abuse in the social security program when compared with many other Government programs and the program benefits those with no other sources of income.

We should never ignore the fact that those persons who are now receiving social security benefits were at one time the very same individuals who paid for the educational benefits enjoyed by the current work force and also contributed to the social security benefits of those who retired before they did. As for those of us now working and paying into the social security program, one day we will be the recipient—rather than the financier—of the program and it will be our children and grandchildren who will be supporting the program.

There is no doubt that this bill increases social security taxes, but early in 1978 it is planned to give the American workers and businesses a general tax reduction that will more than offset this social security tax increase.

There are several strong arguments I could use to justify a "no" vote on this conference report. When the original bill was before the House, I voted "aye" on final passage which establishes my support for strengthening the social security trust fund. However, the conference committee has agreed to several nongermane amendments and under the rule providing for consideration of this report we were denied any opportunity to reject those nongermane amendments. Some of these nongermane amendments relate to the welfare program and should not be attached to a social security bill. Social security is not a welfare program and I object to making a social security bill a hostage vehicle for welfare legislation.

However, since the bill will have no effect for more than a year, that is sufficient time to attempt to correct those problems and I intend to support this bill.

Mr. CONABLE. Mr. Speaker, I yield such time as he may consume to the gentleman from Illinois (Mr. Hyde).

(Mr. HYDE asked and was given permission to revise and extend his remarks.)

Mr. HYDE. Mr. Speaker, we are being asked to support the social security conference report—a report which is being represented as "insuring the soundness of the social security trust funds far into the future," which includes a huge tax increase. It is interesting to note that the conferees decided not to make the increases effective until after the 1978 elections.

For the highest paid workers, social security taxes deducted from paychecks will triple over the next decade. Social security taxes for the lowest-paid workers will increase 20 percent. Conservative estimates of the cost to American workers amounts to \$227 billion in new payroll taxes by 1987, on top of increases already built into the law, and on top of proposed increases in the President's energy tax bill.

Obviously, the incomes of those American workers will increase over the next decade, but will their income triple as these taxes do? Not likely.

Reform of the social security system is imperative, but not by simply squeezing more dollars out of the American taxpayers. This Congress is applying a band aid to a gaping wound by passing this legislation.

The basic principles of the social security system must be reevaluated and restructured to provide more solvency and equity for those paying the taxes and those receiving the benefits.

Responsibility demands that this Congress immediately undertake a constructive overhaul of the social security system—reform that is desperately needed since enactment of the program 41 years ago.

The Republican social security alternative, which we have been prevented from seriously considering, was designed to enable the 34 million Americans who benefit from social security today, and the 100 million who contribute today in the rightful expectation that they, too, will benefit when their time to retire comes, to be confident that the system is operating on a sound and equitable basis.

While I disagree with some provisions, at least the Republican alternative would place the social security system on a sound financial basis for at least the next 75 years, with no increase in taxes beyond those already mandated by law, until at least 1982. After that, taxes would increase a total of 1.5 percent, in three stages, over the 75-year life of the proposal.

The Republican alternative dealt with the long-term demographic problems posed by the changing composition of American society, and recognizes the enormous changes that have taken place in both population profile and in lifestyles since social security was first enacted.

In 1940, only 15 percent of married women held jobs. Today, half of all married women under the age of 60 are in the labor force. The Republican social security alternative included a number of proposals to redress inequities that work against women. The conference report calls for a study.

Mr. Speaker, sooner or later tax support for the social security system must be increased. But to substantially increase the tax in the face of our present economic instability, and with full knowledge that a tax increase will not solve the long-term problems of social security funding, is both foolish and ineffective.

The conference report represents the largest peacetime tax increase of any kind in recent memory, one which imposes massive new social security taxes over the next decade. We cannot continue to raise taxes on employers and employees. The working man and woman has a difficult enough time making ends meet. Employers will be left with only one recourse—raise the price of goods and services, which will only be counterproductive to our attempts to stimulate the economy. Hiring new employees will be discouraged by this program, when it should be encouraged instead.

Sooner or later we will have to reform the social security system, but we must do much more than simply increase taxes. Medicare should be taken out of the social security system, where it doesn't belong. The OASDI program is financed from taxes on covered earnings, because the benefits of the program are always related to the earnings of a worker-taxpayer. This is true even when the beneficiary is a spouse or dependent survivor. The same principle does not apply to benefits under part A of the medicare program. There the amount of the benefits is determined by the hospital and related health care costs of a particular person, and bear no relationship whatsoever to his wages or those of anyone else.

Governmental employees could well be brought into the social security program prospectively without disturbing existing pension rights of present government employees.

These are but some of the far-reaching but essential decisions that must be made if we are to really accomplish what we agree must be accomplished: the reform and solvency of the social security system.

I am sorry the rule was adopted, waiving points of order to the several nongermane amendments added to this already unfortunate legislation. These make an already poor situation even worse.

I hope my colleagues will vote no as I intend to on final passage.

Mr. CONABLE. Mr. Speaker, I yield such time as he may consume to the gentleman from Ohio (Mr. Ashbrook).

(Mr. ASHBROOK asked and was given permission to revise and extend his remarks.)

Mr. ASHBROOK. Mr. Speaker, I have serious reservations regarding the conference report on H.R. 9346, the Social Security Financing Amendments of 1977. Although we need to take steps to insure the fiscal integrity of the social security system, the bill before us is not the best answer to the problem.

Of most concern is the tremendous hike in social security taxes that would result from enactment of this legislation. Both the tax rate and the wage base would be substantially raised. It is estimated that this proposal would mean \$42.8 billion a year in new taxes by 1987.

Low- and middle-income wage earners would lose a larger chunk of their salaries. By 1990 the social security tax rate would stand at a full 7.65 percent. This is a heavy burden for working men and women to carry.

Higher income people would experience an even more dramatic jump in taxes. A worker making \$25,000 a year, for example, would find his taxes increasing about \$600 a year in just 3 years.

American workers are already finding it difficult to make ends meet. Salaries are not keeping pace with inflation and the growing Federal tax bite. H.R. 9346 would mean an even heavier tax load for the people of this country.

The new tax increases would also be a blow to employers. They would be forced to somehow come up with the money needed to meet these additional costs. Small businesses and those with thin profit margins would be hard hit.

Imposition of such an onerous tax burden on our Nation's wage earners and employers would be a serious mistake. It is especially wrong at a time of high inflation and large unemployment. The American people deserve better from the Congress.

The problem is that we have gotten away from the original purpose of social security. Welfare-type programs unrelated to the protection of older Americans have been added to the system. The inclusion of these social welfare programs has been a major factor in pushing the social security system toward financial chaos. It is a mistake to enact the large tax increases proposed in this bill without first taking a hard look at the welfare programs which have caused the fiscal difficulties.

On the bright side, however, a provision adopted by the other body to assess a higher tax on employers than employees was rejected. This would have dried up needed investment capital, added to the unemployment problem and resulted in higher prices for goods and services. Fortunately the traditional 50-50 split is maintained in the conference report.

Another bright spot is in regard to the earnings limitation on social security. Currently, social security recipients are permitted up to \$3,000 in annual earnings. Every \$2 earned by a recipient beyond that amount results in a \$1 loss in benefits.

The conference report would abolish the earnings limitation for those 70 and older. In addition, it would raise the limitation for those 65 to 69 years of age to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and \$6,000 in 1982.

Frankly, I preferred to go even further. I supported a successful amendment in the House that would have provided for a gradual phaseout of the earnings limitation. This seems only fair to our nation's older Americans. Although the conference report does not go as far as I would wish, nevertheless it is a major step forward.

A disappointment, however, is deletion of the education tax credit. This provision would have allowed tax credits of up to \$250 a year for parents of children

in colleges and vocational schools. Unfortunately it was torpedoed by the Carter administration.

I have supported this concept since first being elected to Congress. In the current Congress I am sponsoring H.R. 165, which would provide an income tax credit of \$300 for tuition expenses at an institution of higher education.

The credit would have provided some welcome tax relief to families faced with skyrocketing education costs. Lower and middle income families would have found it especially beneficial. Its removal from the bill is a great mistake.

All in all, H.R. 9346 is a bad bill. Our citizens should not be subjected to the massive tax increases that it would impose. I strongly urge the defeat of the conference report.

Mr. CONABLE. Mr. Speaker, I yield 3 minutes to the gentleman from Pennsylvania (Mr. COUGHLIN).

(Mr. COUGHLIN asked and was given permission to revise and extend his remarks.)

Mr. COUGHLIN. Mr. Speaker, once again, I am compelled—out of the conflicting emotions of fair play and frustration—to call my colleagues' attention to the fact that the will of the House has again been thwarted by the leadership and a threatened Presidential pocket veto. We have again been denied a clear-cut vote on the merits of the legislation to provide tax credits for higher education expenses.

As long ago as 1970, I began introducing such legislation in recognition of the growing onerous financial burden on middle-income taxpayers trying to educate their children in colleges and universities. In this Congress alone, there are more than 210 House Members who have sponsored some form of education tax credit legislation.

I want to thank my many colleagues—Democrat and Republican—who have sponsored and worked for this legislation through the years. I thank them also for enduring numerous "Dear Colleague" letters from me on tax credits and want to warn them to expect many more until we are afforded the democratic opportunity for a direct vote.

The senior Senator from Delaware, whose tax credit proposal we gather here today to inter for this session, first introduced his legislation in 1975 as a tax deduction bill and changed it to a tax credit on the advice of the Senate Finance Committee. The Senate has passed education tax credits three times in the past 15 months. In addition to the senior Senator from Delaware's bill's 26 sponsors, a similar piece of Senate legislation based on education tax deductions has 50 sponsors.

Consider this scenario:

Approved by the Senate in four of the last five Congresses, the principle of education tax credits was overwhelmingly approved by the House, 311 to 76, when I forced a vote last September on reserving funds for it in the fiscal 1978 second budget resolution.

Because the distinguished Ways and Means chairman continued to refuse to bring the matter before the House for a vote on the merits, the only way to

force consideration was the senior Senator from Delaware's amendment to the social security bill. An earlier commitment to bring the matter to vote in the dying days of the last Congress had been killed by a ruse.

Less than 3 weeks ago, when the House agreed to go to conference on the social security bill, I intended to make a motion which would have instructed House conferees to recede to the Roth tax credit amendment. Knowing this, a member of Ways and Means demanded the "previous question" which cut off the opportunity even to offer the motion.

There then followed an even quainter maneuver in the social security conference in the final days of this session. A suggestion was advanced that the education tax credit amendment be dropped from the social security bill and brought before the House as a rider to a minor bill. This would, of course, be subject to a quiet pocket veto by the President and the issue never would be joined.

A second alternative, a motion to recommit the social security bill with instructions to accept the tax credit provision, also was denied when—defying all practices and traditions and the House calendar—the conference report was given to the Senate to act upon first rather than the House.

Again and again, the rules and practices of the House have been bent, twisted and broken to suit the House Democratic leadership and thwart the will of the majority. In this instance, middle income working Americans again were the victims and again were denied higher education tax credits which would provide a measure of help and tax relief at a time in their lives of the greatest financial stress.

Mr. CONABLE. Mr. Speaker, I reserve the balance of my time.

Mr. ULLMAN. Mr. Speaker, I yield 1 minute to the gentleman from Florida (Mr. PEPPER).

Mr. PEPPER. Mr. Speaker, every month 33 million Americans draw their social security checks and one-third of them are over 72 years of age. All of those people know that this Congress came back here today from all over America to pass a social security bill that would give the assurance that in the future social security would be solvent and that they will get what we promised them. If the word goes out at the end of this day that, notwithstanding the Senate passing the bill by an overwhelming majority, the House of Representatives defeated it, a wave of fear will sweep through the hearts of every one of those Americans wondering about the future solvency and soundness of our social security funds which are the sole source of livelihood for very many of those people.

This bill does not do everything the elderly would like to have it do. It is not perfect in terms of the taxes that it provides. But we have the future ahead of us, if we keep the funds sound, to improve it from the tax point of view and from the viewpoint of the recipients.

I hope the conference report will be adopted.

Mr. ULLMAN. Mr. Speaker, I yield 1

minute to the gentleman from Texas (Mr. PICKLE).

(Mr. PICKLE asked and was given permission to revise and extend his remarks.)

Mr. PICKLE. Mr. Speaker, when this measure was up before the House recently, I voted against it on final passage. Now I stand here in support of this conference agreement.

On October 27, 146 Members of this body voted against this bill. Given the urgency of this legislation, I think that number indicated a great reservation about the approach taken in the House measure and the rule we have barely passed, signals other reservations.

But today we have a different bill, a bill which I think is sound and fair.

It will not be popular in the short run. It is a steep tax bill. But it is as sound, and it is as fair, as we could expect, and that is our best guarantee that we can be satisfied with this bill. The alternatives would be to let the social security system go down the drain, and we cannot allow that to happen.

The conference report corrects several matters which I think had caused widespread concern.

First, it removes the provision allowing for general revenues. I had an amendment to the House measure to remove that provision, and it failed by a 196 to 221 vote. The action of the conferees in removing this provision was probably their most significant action. We can now say in all honesty to the American people that the social security system will make it, and will make it on its own. It will not become a needs or welfare program.

Second, the conferees brought relief on the problem of the outside earnings ceiling, but they did not lift the ceiling entirely. This just would have been too costly during the time when the system faces some of its most critical financing problems. I think the conference approach here, again, is fair in that it does what we can without unduly endangering future generations who will rely on social security benefits.

Third, the conferees maintained a provision which was in the original House bill but altered in the Senate. That provision is parity. When we are levying heavy taxes, the only thing we can do is to try to be fair to all sides. I think parity is essential to that sense of fairness, and I am very pleased to see it remain in the Conference bill. In addition, this bill provides for "decoupling," and this provides a consistent wage-replacement ratio.

In passing this bill we can say to the American people that we are putting social security on a sound financial basis for the net 25 to 50 years. Nothing can be more reassuring to the public than taking this strong action. This is particularly important to the many young people who have felt that when their time came the money would not be there.

We are not through. We must begin early next year to address the many problems in the disability system. We will face the issue of universal coverage in 2 years. And we must look at possible steps toward preventing opting out of

the system before universal coverage is in place. I do not like the welfare provision in one section of the conference, and I hope we can make other changes in the offset provisions.

But we have come a long, long way.

Mr. Speaker, for months—years—we have been hearing how important it is for us to take the necessary steps to shore up a faltering social security system.

The necessary steps have proved to be difficult ones. They are more difficult now than they would have been 2 years ago, as I tried to do in my subcommittee, when we on the Social Security Subcommittee first made an effort to come up with a concrete bill.

But stunning as this bill is, it is less difficult than the horror which will face us if we do not act now.

Every passing month sees the social security trust funds draining away—to the tune of about \$470 million each month in the big OASDI fund. This pace is stepped up from the \$269 million average monthly drain in 1976. But it is far less than the \$575 million average monthly drain currently predicted for next year. And it is far less than the drain of nearly a billion a month which we will face in 1981 if we do not do something and do it now.

That billion a month—as we might suspect—will completely exhaust the OASDI trust funds if we do not act. And we won't make it until 1981 if all else does not go according to the experts' rather optimistic projections.

The message in all this is simple. It will be a lot harder to deal with this problem then, with a billion a month drain on the trust fund, than it is to deal with it now, with a drain of less than half a billion.

No option in this program is pleasant. We must stand up and take the bad news home now, or we must face the prospect of having the damage of this great system on our consciences for the rest of our lives.

Social security is more than an apple pie program. It is a critical foundation for democracy. Historically, throughout the world, the types of political philosophies most pernicious to democracy have taken root where great numbers of the populace face extreme personal deprivations—or see the threat of extreme deprivation hanging over themselves and their families like Damocles' sword. It was not accident that the United States came forward with a social security system out of the Great Depression of the 1930's.

Social security is not, and was never intended to be, a total retirement plan. It is both much less and much more. It is not a retirement plan but it is an insurance program against extreme deprivation not only in retirement but also in situations of disability or death of the family breadwinners.

Social security also has become an integral part of our national economic picture. A healthy social security system is an incalculable aid to a healthy economy. The sustained economic power of those who receive social security, as well

as their reduced need for public economic assistance help to keep the economy up and deficits down. And we could use more of both of those items.

The bill we pass today, therefore, is a tax bill, but it is more than an ordinary tax bill. I hope that we—and the Nation—can keep that foremost in mind.

Mr. ULLMAN. Mr. Speaker, I reserve the remainder of my time.

Mr. CONABLE. Mr. Speaker, I yield 2 minutes to the gentleman from Minnesota (Mr. FRENZEL).

(Mr. FRENZEL asked and was given permission to revise and extend his remarks and to include extraneous material.)

Mr. FRENZEL. Mr. Speaker, in the Social Security Financing Amendments of 1977, Congress had the opportunity to make some sensible changes in our present social security system. H.R. 9346 could have provided us with: First, a sound financial structure that guarantees the benefits we have promised; second, a removal of the earnings penalties for our social security beneficiaries; third, and this could have been done without a tax increase in the next few years and a small tax increase thereafter.

What we have in this bill is an unnecessary, substantial tax increase and enormous raises in the wage base which still leaves us with a 75-year deficit of 1.45 percent of taxable payroll or a staggering deficit of \$600 billion-plus. I could not support the House version of this bill because I felt it could only result in decreasing employment and depressing our economy—the conference version is worse.

While we did remove the earnings limitations for retirees aged 70 and over, we are still stuck with earnings penalties for retirees below age 70. The limit is raised in the conference report, but to an inadequate level. The mandatory of earnings limits is a serious flaw in this bill.

As I understand the conference report, it will place a devastating burden on middle-income taxpayers in my district and across the Nation. People in my district, who earn \$20,000 a year, now pay about \$960 a year in social security taxes. Under this bill, if inflation and wages both raise at 6 or 7 percent, these peoples wages will increase to \$35,000 without an increase in real wages. Worse, their social security taxes will increase from \$960 to nearly \$2,600. That is nearly a tripling of social security taxes for middle-income Americans in the next 10 years.

The House, at least, had a better choice in the Conable-Archer proposal, but chose not to accept it. This proposal would have placed the system within safe actuarial bounds, solved the bulk of the problems and inequities under the current system and would have accomplished this without a tax increase until 1982. While rejecting the bulk of the provisions of the Conable-Archer proposal, the House included many of the gender-based inequities in the House bill. The conference version of the bill, however, throws even these provisions out, by the decision to include them in an HEW study.

The Conable-Archer proposal would have moved us a step closer to universal coverage. The conference version provides us with another study which will only result in delaying universal coverage for possibly another four decades. In my view, universal coverage is of great importance toward assuring good protection, portability, and equality for all American workers.

We may manage to get a bill passed before the end of this session of Congress, but it is not going to appeal to many of my constituents—or me. I cannot support this bill. It lays a heavier burden on my constituents than is necessary, and in fact a heavier burden than was in either the House or the Senate version.

The question is not, as the distinguished chairman has phrased it, one of a vote for or against the system. The question is whether this is the best temporary solution for our social security problems. The answer is, of course, no.

The tax increases are too severe. The earnings limits, which this House voted to repeal, is still with us. Many of the gender-based improvements passed by the House have been removed. The long term cash deficits have not been overcome. We have not stopped double dipping. We have not achieved universal coverage and as a special bonus, we get expensive Senate non-germane amendments.

Other than decoupling, there is not much that is attractive about this bill other than its title. It should be rejected and the committee directed to bring a better bill.

Mr. Speaker, because it has been suggested and noted here that the Republican alternative, the Conable-Archer bill, was superior in all respects to this bill, I insert at this point a description of that bill:

STATEMENT ON A NEW REPUBLICAN INITIATIVE ON SOCIAL SECURITY BY CONGRESSMEN RHODES, CONABLE, ARCHER, STEIGER, KETCHUM, AND SCHULZE

We believe that the nation's social security system should be restored to financial stability on a long range basis. We owe this not only to the 100 million Americans who support the system and the 34 million who already benefit from it, but to the next generation as well. They deserve no less.

We also believe that a number of longstanding inequities in the system, especially those related to the treatment of women, should be corrected.

We further believe that the system should be adjusted to changing American life styles, that beneficiaries no longer should be penalized for continuing to lead productive lives, and that we should move closer toward truly universal social security coverage.

And we believe these desirable goals can—and should—be attained without: (1) altering the basic structure or nature of the system; (2) adding heavily to tax burdens in the future; or (3) requiring any tax increases over the next several years, in light of an uncertain economy and current payroll levies on both employers and employees.

Toward these ends we are presenting, for the consideration of the Congress and the American people, a comprehensive 15-point social security proposal. It would place the system on a sound financial footing for at least the next 75 years, it would solve the immediate financial shortfall in the trust funds, it would strengthen the system's insurance character, and it would correct a

number of inequities. It would do all this with no tax increase until 1982 and with less than a 1¼ percent increase through the year 2050.

The proposal does not, it should be emphasized, offer the myth of something-for-nothing. It is realistic. There are prices to pay for the problems it solves. But we feel the prices are reasonable, especially in view of obvious alternatives: (1) a drastic lowering of benefits, (2) a heavy increase in payroll taxes now and in the future, or (3) the illusory use of general revenues, which would require substantial borrowing by the Treasury, an even bigger public debt, and eventually higher taxes and more inflation for all.

Our proposal, which includes a number of "tradeoffs," should be considered as a unit. Its parts—interdependent and not interchangeable—have been blended carefully into a particular whole, and it should be judged as such.

As far as we know, this proposal stands alone. If there is another—to solve the system's financial problems, to correct so many of its inequities, and yet to cost the taxpayers so relatively little—it has remained well hidden from public view.

Specifically, our proposal would:

A. Meet the immediate financial needs of the Social Security Trust Funds by:

(1) Reallocating taxes collected, between the Old Age and Survivors Insurance Fund (OASI), and the Disability Insurance (DI) Fund, which is expected to become exhausted soon if preventive steps are not taken.

(2) Temporarily diverting three-fourths of a Medicare tax rate increase (0.2% per employee and employer) already scheduled to take place next year, to the OASI and DI Trust Funds. This diversion, which would not damage the Medicare Fund, would continue only through 1981.

(3) Permitting any of the three major Trust Funds (OASI, DI and Medicare) to borrow from another if necessary and with appropriate arrangements for repayment with interest. This would be a permanent provision, which should serve as a "fail safe" device against the insolvency of any of the funds.

B. Put the system on a sound financial basis at least 75 years into the future by:

(1) Decoupling the automatic benefit adjustment mechanism (to correct a flaw in the mechanism) and indexing workers' earnings records to wage trends. These changes follow generally the recommendations of both the Ford and Carter Administrations. This proposal would, however, adjust the ultimate benefit level to account for overexpansion that has occurred since the automatic adjustment flaw was enacted. A savings clause would be included guaranteeing that no future retirees would receive lower benefits than they would have received under the present-law benefit formula as it was at the time of the change. (Decoupling and wage indexing would reduce the system's long-range deficit by slightly more than half.)

(2) Advancing gradually and slowly—from 65 to 68—the age at which full retirement benefits would be payable. The adjustment would not begin until 1990 and would not reach maturity until 2001. Each year during that span the full benefit retirement age would be advanced by one quarter year. Workers could continue to retire as early as age 62 but with slightly greater actuarial reductions than at present. Gradual and distant implementation of this change, which is in keeping both with efforts to abolish mandatory retirement policies and with increased longevity and productivity of American workers, is designed to permit orderly retirement planning. (This provision would further reduce the system's deficit, by about 20%.)

(3) Permanently reassigning one-fourth of the Medicare tax rate increase, scheduled next year, to the OSADI Trust Funds. This

amount approximately equals additional money which would enter the Medicare Fund because of other provisions of this proposal.

(4) Increasing tax rates for employees, employers and the self-employed in three stages; 0.5 percent in 1982, 0.3 percent in 1990, and 0.4 percent in 2000. This means that tax rates would rise, under this proposal, less than 1-and-¼-percent over a 75-year span. (The Medicare tax reassignment and the three-stage rate increase would reduce the remaining deficit to less than 0.5% of taxable payroll—an actuarially sound margin.)

C. Make four significant improvements in the treatment of women under Social Security, by:

(1) Providing a new benefit—a "working spouse's benefit"—designed to give adequate recognition to wives who work outside the home. The benefit would be equal to (a) the higher benefit amount due either as a worker or the spouse of a worker, PLUS (b) 25 percent of the smaller of those two benefits.

(2) Reducing from 20 years to five years the duration-of-marriage requirement for one spouse to receive a benefit based on the other's earnings record. This provision is designed to remove what many divorcees have come to view as an unfair and arbitrary requirement.

(3) Ending the cutoff or reduction of benefits for beneficiaries who remarry. This provision is included largely because many widows who rewed before reaching age 60, and divorced wives who remarry at any age, lose entitlement to their benefits under current law.

(4) Amending the Social Security Act to remove all remaining sexually discriminatory language.

D. Move the nation's social insurance system closer to the ideal of universal coverage by providing for the participation of all federal government employees, including Members of Congress not otherwise covered, by 1979. The objective is integration of the Civil Service Retirement and Social Security systems without reducing benefits or protection for, or increasing contributions from, participants in either program.

E. Remove the earnings limitation imposed on beneficiaries. Under present law, benefits are reduced and eventually eliminated for earnings above \$3,000 per year. (The limitation is adjusted annually.) This proposal would boost the limit to \$5,000 in 1978, to \$7,500 in 1979, and remove it entirely in 1980.

F. Freeze the minimum primary benefit at its current level of \$114.30 per month, but increase the special minimum benefit from a maximum of \$180 to \$219, and make it subject (as are other benefits) to automatic annual adjustments in the future. The minimum primary benefit goes, in large numbers, to governmental employees who either "moonlight" or retire early and work just long enough under Social Security to meet minimal eligibility requirements. The special minimum applies only to those who have worked many years at relatively low wages under the system.

G. Limit disability and survivorship benefits to the maximum primary benefit payable to a worker reaching age 62. Under present law, some younger beneficiaries receive benefits substantially higher than those awarded older beneficiaries who have worked longer under the system. This provision would remove that disparity.

This proposal is not being offered as a "trial balloon" or in a partisan spirit.

It is being presented, in light of alternatives already proposed, to reassure the millions of Americans who are concerned about social security that the system not only can be made financially secure, but can be made more equitable for generations to come. And this can be accomplished without imposing unacceptable tax burdens or dipping into the deceptive pool of general revenues.

We hope and trust it will be given serious consideration by our Democratic colleagues in the Congress as well as by the Administration. We are sending copies of the proposal to the President and the Secretary of Health, Education, and Welfare, and are confident they will give it their attention promptly.

The Subcommittee on Social Security of the Committee on Ways and Means is scheduled to begin, Monday morning, the development of legislation dealing with the system's financial problems. We are particularly interested in having our proposal considered in that forum, and stand ready to present it there.

Or all interested parties, we ask only that the proposal be given fair-minded consideration, not in fragmented form, but in its entirety.

The proposal is described in greater detail in a separate document entitled, *A Proposal for Financial Restoration and Equity Strengthening of the Social Security System*. Our staff members and consultants will be pleased to discuss it in greater detail at your convenience.

This proposal has five general objectives.

First, it would put the social security system on a sound financial footing for at least the next 75 years.

Second, it would strengthen the insurance character of the system.

Third, it would improve the treatment of women under the system.

Fourth, it would make long-needed adjustments in the program to reflect changes in the living and working patterns of the American people.

Fifth, it would move closer to universal coverage, which is appropriate for a nationwide, mandatory social insurance system.

The most important objective of the proposal is, of course, restoration of the financial soundness of the system, which faces an estimated deficit of 8.2 percent of taxable payroll over the next 75 years. This proposal would virtually eliminate the long-term deficit. It also would solve the serious cash-flow problems facing the Social Security trust funds now and in the near future.

One of the two major trust funds—the one providing for payment of disability benefits—is estimated to become exhausted in early 1979 (or possibly late in 1978). This proposal would avoid that contingency, without requiring any increase in taxes over those scheduled in present law, on either employers or employees, until 1982.

PROPOSAL ANALYSIS

The proposal has 15 distinct elements.

Three elements deal with the short-term trust fund problem—by reallocating monies among the funds and by permitting one fund to borrow from another.

Three more deal with the long-range financial deficit of the system, through decoupling-and-earnings-indexing (to correct a flaw in current law and to stabilize future benefit ratios) and through modest tax adjustments and increases between 1982 and 2000.

Four deal with sex discrimination and the treatment of women through: (1) liberalizing substantially the benefit eligibility or divorced spouses; (2) providing a new "working spouse's benefit", primarily to give greater recognition to wives who work; (3) eliminating the reduction or cutoff of benefits to widows or widowers who remarry; and (4) removing all remaining sexually discriminatory language from the Social Security Act.

One element would bring the system closer to the ideal of universal coverage, by requiring the participation of all Federal employees by 1979.

Another element responds to a major change in our society—the increasing longevity and productivity of American workers—by advancing slowly and gradually, in

the future, the retirement age for full Social Security benefits. This would not prevent workers from retiring at age 62 with actuarially-reduced benefits. It would move, eventually to 68, the age at which full retirement benefits are payable.

The three final elements are designed to improve equity and strengthen the insurance character of the system by:

(1) Eliminating one of the most unpopular provisions of the Social Security Act—the one that imposes a limit on the earned income of beneficiaries;

(2) Freezing the minimum primary benefit but also increasing the special minimum benefit for those who have worked under the system for many years at low wages and

(3) Providing that benefits for the disabled and survivors may not exceed the maximum benefit payable to a retiree.

I. SHORT-TERM FINANCING

The financial problems facing the system between now and 1982 would be taken care of through: (1) reallocation of Social Security taxes between the Old-Age and Survivors Insurance (OASI) and Disability Insurance (DI) Trust Funds; and (2) a temporary reassignment of an increase in the tax rates for the Hospital Insurance (HI) Trust Fund, which already (under existing law) is scheduled to take place next year.

The current OASDI tax rate of 9.9 percent (on employers and employees combined) now is allocated: 1.15 percent for DI and 8.75 percent for OASI. It should be reallocated: 1.5 percent for DI and 8.4 percent for OASI. The increased allocation of 0.35 percent to the DI Trust Fund should be sufficient to prevent it from becoming exhausted by 1979 (as can be expected without a change in the law). Reallocation also should cause both Funds to remain viable at least until 1981.

In order to assure further the viability of these two Trust Funds, and to cover the cost of certain improvements in the system starting next year, part of the scheduled increase in the HI tax rate should be diverted temporarily to the OASDI Trust Funds. Present law calls for an increase in the HI tax rate, starting in 1978, from 0.9 percent to 1.1 percent for each employee, employer, and self-employed person. If three-fourths of this increase, or 0.15 percent per worker and employer, were directed to the OASDI Trust Funds beginning January 1, 1978 and ending December 31, 1981, this would not only bolster those two Funds, but also would permit a three year phase-out of the earnings limitation starting January 1, 1978.

[In addition, one-fourth of the 1978 increase in the HI tax rate (i.e., 0.05 percent for both workers and employers) would be permanently directed to the OASDI Trust Funds after 1981. This would not adversely affect the operation of the HI Trust Fund, because the amount of money involved in the diversion approximately equals the savings to this fund as a result of extending coverage to federal employees.]

To guarantee the financial viability of all three Trust Funds over the next several years, each should be permitted to borrow from another, solely for the purpose of preventing exhaustion and with appropriate arrangements made in each case for repayment with interest.

II. LONG-RANGE FINANCING

(1) The long-term deficit of the system would be reduced by slightly more than 50 percent through a process called "decoupling," plus wage indexing of the earnings record of the insured worker.

Decoupling was made necessary by what has been termed an inadvertent flaw in the 1973 law which adjusts benefits automatically according to annual increases in the Consumer Price Index. Under the present coupled system, the CPI increases are applied both to payments already being paid to those

on the benefit rolls and to the benefit formula which is applicable to future beneficiaries. Decoupling would apply the cost-of-living percentage increases only to current beneficiaries.

Decoupling would be accompanied by indexing of a worker's covered earnings record. Virtually all observers of the social security system have agreed that decoupling plus indexing should be accomplished to achieve rational and reasonable benefit levels in the future. There has been disagreement, however, as to the level at which decoupling should take place, and as to whether the earnings record should be indexed to prices rather than wage trends. Both the Carter and Ford Administrations proposed decoupling at current benefit levels and indexing of the earnings record according to wages.

This proposal follows the wage-indexing approach, on the main ground that, for future retirees, it more equitably stabilizes the wage replacement ratio; that is, the relationship between the benefits they receive and the most recent covered earnings on which those benefits are based. The proposal would, however, adjust the ultimate benefit level for the overexpansion that has occurred since the automatic-benefit-increase provision was enacted.

It is an accepted fact that decoupling is made necessary because of a "mistake" in the 1972 amendments to the Social Security Act. The "mistake" has led to overexpansion of benefit levels since that time, and would lead to increasingly exaggerated overexpansion in the future. It seems logical to have the ultimate benefit level adjusted for the overexpansion which has taken place since the "mistake" was made.

Starting just before the "mistake" was made, and continuing to the present time, the cost-of-living has risen 53.0 percent, while Social Security benefits have increased 62.1 percent. Thus, benefits have increased about 6 percent more than the cost-of-living over that span of time (162.1 compared with 153.0 produces a difference of about 6 percent). Accordingly, it is reasonable to decouple at a 6 percent lower level ultimately.

This does not mean that benefits would be reduced for those currently receiving benefits. They would be treated exactly as under existing law. Whenever the cost-of-living (as measured by the Consumer Price Index) advances in a year by 3 percent or more, benefits would continue to be increased commensurately.

Nor does it mean that dollar amounts of benefits paid in the future would be lower than present levels. To the contrary, dollar amounts—as well as the purchasing power of benefits—for future retirees would be higher than present levels.

A major difference between this proposal and the present system is that wage replacement ratios (the relationships between benefits and recent covered earnings on which those benefits were based) would remain stable in the future.

It is important to note that, under this proposal, a savings clause—or guarantee—would be provided so that no future retiree would receive less than he or she would under the present-law formula as it was at the time of the change. In other words, retirees in the future would have their choice. They could take the benefit available under present law at the point of changeover, or they could take the benefit provided under the new method, whichever is larger.

(2) The long-range deficit would be reduced further (by about 20 percent) through a slow and gradual advancement in the retirement age at which full benefits are payable. This proposal would move that age from 65 to 68, by degrees, starting in 2000 and ending in 2011.

When the Social Security system was enacted, 42 years ago, American workers were

not living as long as they are now, nor were they as productive for as long a period of time. From time to time, the system has responded to other changes in the working and living habits of the people it serves, and it is reasonable for the system to adjust to these trends also.

It should be borne in mind that the longevity of the American people is expected to continue increasing in the foreseeable future. The birth rate, meanwhile, has declined drastically and may well continue downward (or else remain at a low level) for years to come. This means there will be fewer workers making contributions, but more retirees receiving benefits. In view of such projections, because of the improvement in mortality as well as the physical conditions of older people, and in light of wide-spread dissatisfaction with mandatory retirement, the proposal above can have a generally salutary impact both on the Social Security system and on the social and economic lives of the American people.

It is important to note that workers could continue to retire at earlier ages—62, for example—but with slightly greater actuarial reductions than at present, to take into account the longer period of time over which the beneficiaries could be expected to receive payments.

Under the proposal, the standard retirement age of 65 would be increased by three months (or one-quarter year) each year starting in 2000. By the year 2011, the minimum retirement age for full benefits would have been increased gradually to 68.

A gradual implementation of this change, with a starting date almost 25 years in the future would give people sufficient time to plan for their retirement without severe disruption in any one year, and would permit management and labor to revise employment practices carefully and systematically.

(3) As noted earlier (on page 5), the long range deficit in the OASDI Trust Funds would be reduced further by a permanent reassignment, starting in 1982, of a small portion of the Hospital Insurance tax rate. This redirected rate would equal 0.05 percent for workers and employers.

(4) To further strengthen the financing of the system in future years, contribution (tax) rates for employees, employers, and the self-employed would be increased by 0.5 percent in 1981, 0.45 percent in 1985, and 0.25 percent in 2000. Thus, the net addition to the presently scheduled OASDI tax rates over the next 75 years would be less than 1½ percent on employees, employers, and the self-employed.

III. TAX TREATMENT OF WOMEN AND SEX DISCRIMINATION

The proposal would make four significant changes in the Social Security Act designed to improve the treatment of women and to remove remaining sex discrimination language.

First, the proposal would reduce from 20 years to 5 years the duration-of-marriage requirement for one spouse to receive a benefit based on the other's earnings record. Under present law, a divorced spouse retains auxiliary benefit rights only if the divorce occurs after 20 full years of marriage. Critics of the system long have contended that this requirement was unfair, arbitrary, and unrealistic in view of social changes.

Second, the proposal would provide a new benefit—a "working spouse's benefit". Under present law a covered worker is always eligible for a benefit based on his or her own earnings record. But if the worker also becomes entitled to an auxiliary benefit, such as a spouse's benefit, he or she is entitled, in essence, only to the higher of the two benefits available. A number of working spouses (especially wives) have found that they would have been as well off financially, as far as Social Security benefits were concerned, if they had never left the home to

enter the labor force. To alleviate this problem and to provide greater recognition of the employment record of a working spouse, the proposal would make the following changes:

1. A spouse who is eligible for an auxiliary or survivor benefit, who also worked under Social Security, could receive a new "working spouse's benefit", which would be equal to (A) the larger amount due either as a spouse or as a worker, plus (B) 25 percent of the smaller of the two benefits (but in no event greater than the maximum primary benefit).

2. Any pension or benefit based on governmental employment not covered under Social Security would be considered as a primary benefit in determining the amount of the Social Security auxiliary or survivor benefit payable. (This change is designed to remove what amounts to a "windfall" benefit in some cases under present law. For example, if a wife worked under Social Security for her entire career, she would be entitled to a primary benefit based on her own earnings record. If her husband had worked exclusively under a state employee's retirement system, he would be entitled to a pension under that system and also might be entitled to an auxiliary (spouse's) benefit based on his wife's Social Security record. Inasmuch as auxiliary and survivors benefits are based more on social adequacy (or need) than on individual equity, the "windfall" situation described above is not one which the Congress contemplated when it provided for survivors and auxiliary benefits in the first place.)

3. The proposal would end the cutoff or reduction in benefits for widows or widowers who remarry. Under the proposal, benefits would not be terminated because of a beneficiary's remarriage or marriage at any age. Under present law, for example, a widow's remarriage before age 60, or a surviving divorced wife's remarriage at any age, will prevent entitlement to benefits unless the subsequent marriage ends. A number of persons, especially those living in retirement communities, have complained that current law requires them to "live in sin" in order not to lose Social Security benefits.)

4. The proposal also would amend the Social Security Act to remove all remaining sexually discriminatory language. (Example: The terms "husband's benefit" and "wife's benefit" would be replaced by one term, "spouse's benefit.")

IV. UNIVERSAL COVERAGE

Universal coverage is a natural and desirable goal of any nationwide, mandatory social insurance system. Although about nine of every 10 American workers now participate in the U.S. social security system, it is increasingly difficult to justify to the "nine" why the "one" is not covered. This is especially true in view of the impact of the Social Security payroll tax on the incomes of contributors.

Public discussion of universal coverage has taken place for many years. It has long appeared that a large majority of Americans favor it, but no action has been taken by the Congress. Many difficulties—legal and administrative—have stood in the way.

But the latest Advisory Council on Social Security stated that despite these difficulties, "it is of great importance from the standpoint of assuring good protection for all workers on an equitable basis that all jobs be compulsorily covered under social security." The Council urged the Congress to move promptly toward that goal.

A major step in that direction would be mandatory coverage for all Federal workers. Integration of the Civil Service Retirement and Social Security systems would be an extremely difficult task, crossing jurisdictional boundaries of major committees in both the House and Senate, and involving many complex technical problems. But integration could be achieved, in an equitable way, within one year.

Therefore, an important objective of this proposal is the immediate enactment of legislation requiring the various committees of jurisdiction to work together over the next year and produce a workable—and equitable—plan for an integrated system, to become effective no later than January 1, 1979.

An integrated system would in no way prevent the continuance of the Civil Service Retirement system as a supplement to Social Security.

V. INSURANCE AND EQUITY STRENGTHENING

To strengthen the insurance character of the system and, at the same time, to provide greater equity, the proposal also would:

1. Eliminate the earnings limitation on beneficiaries. This is probably the most unpopular provision of the Social Security Act. More bills have been introduced to abolish the limitation than to make any other change in the system. During recent public hearings before the Ways and Means Committee's Subcommittee on Social Security, repeal of the limitation was the most widely discussed item. Witnesses pointed out that the limitation enforces the under-utilization of experienced older people and also encourages retirees to adopt artificial work and pay practices. Under this proposal, the limitation would be phased out over a 3-year period, by increasing the annual exempt amount of earnings to \$5,000 for 1978 and to \$7,500 for 1979, and by removing it entirely for 1980 and thereafter.

2. Freeze the minimum primary benefit at its current level of \$114.30 per month, but at the same time increase, now and in the future, the special minimum benefit.

Freezing the minimum primary benefit follows a recommendation of the latest Advisory Council on Social Security, and is designed to lessen, and eventually eliminate, certain "windfalls" accruing to persons who work in covered employment for very short periods of time and thus acquire rights to the relatively large minimum, which has been weighted in favor of low-income workers.

In practice, a substantial number of Federal, state, and municipal government workers, outside the Social Security system, have either "moonlighted" or retired early from their regular jobs and worked under Social Security just long enough to obtain the minimum primary benefit.

Ironically, the minimum primary benefit was not established to help those short-term workers, but to assist other workers who had labored long under the system, at low wages. Recognizing that the minimum primary benefit was not serving its basic purpose, the Congress in 1972 added a "special minimum benefit" to better take care of the workers with many years of covered service at relatively low wages.

In so doing, the Congress did not change the minimum primary benefit, which continues to be of greatest value to those who need it least. This proposal would correct that anomaly by freezing the minimum primary benefit while improving the special minimum benefit.

The special minimum is now \$180 per month for workers with at least 30 years of coverage. When the \$180 figure was adopted in the 1973 Social Security Amendments (effective for March 1974), it was not made subject to the automatic adjustments for changes in prices; if it had been, it would now be \$219.

Under this proposal, the special minimum would be increased to \$219 in January 1978 and would be subject to automatic adjustment thereafter (as are all other benefits).

3. Provide that benefits for the disabled and survivors never could be based on a primary benefit in excess of the maximum primary benefit for a worker reaching minimal retirement age of 62 in the year of death or disability.

At least partly because of the technical flaw in the automatic-adjustment-of-bene-

its provision (discussed above), benefits to young and middle-aged beneficiaries may be unduly large—in some cases considerably larger than those awarded to older disabled persons or retirees with much longer earning records (and therefore with greater contribution payments). This disparity in benefit levels (which would be increased if no changes are made) has long been considered inequitable in a national social insurance program. The proposal would end that disparity.

PROPOSAL FOR FINANCIAL RESTORATION AND EQUITY STRENGTHENING OF THE SOCIAL SECURITY SYSTEM

Impact on long-term OASDI Trust Funds' Deficit

Provision	(Loss or gain) as percentage of taxable payroll
Decoupling and wage-indexing based on pre-automatic-benefit-adjustment flaw	+4.50
Freezing regular minimum benefit and updating special minimum benefit	+0.07
Increasing the retirement age	+1.65
Limiting disability and survivor benefits to maximum retiree benefits	+0.02
Covering Federal employees	+0.10
Cutting marriage duration requirement for divorcees' eligibility from 20 to 5 years	-0.01
Removing benefit cutoff or reduction for marriage or remarriage	-0.05
Adding working spouse's benefit, with offset for other government pension	-0.45
Ending the earnings limitation	-0.20
3-stage tax increase and HI tax diversion	+2.13
Total Net Effect	7.76
Deficit under Present Law	8.20
Deficit under Proposal	-0.44

NOTE: The system is considered to be within safe actuarial bounds (sufficiently close to absolute balance) if the deficit is no greater than 0.50% of taxable payroll.

SHORT-TERM COST IMPACT OF PROPOSAL ON OASDI PROGRAM

(In billions)

Year	Contributions from Federal employees	Transfer of HI taxes	Increase in OASDI taxes	Cost of change in earnings test	Net cost effect
1978		\$2.7		\$0.4	+\$2.3
1979	\$4.0	3.0		1.6	+5.4
1980	4.2	3.2		7.0	+4.8
1981	4.5	3.4		7.1	+4.8
1982	4.8	1.2	\$11.9	7.3	+10.6
1983	5.1	1.2	12.5	7.4	+11.4
1984	5.4	0.3	12.9	7.6	+12.0

ESTIMATED OPERATIONS OF OASDI TRUST FUNDS UNDER PROPOSAL FOR FINANCIAL RESTORATION AND EQUITY STRENGTHENING OF SYSTEM

(In billions)

Calendar year	Total income ¹	Total outgo	Net increase in funds	Funds at end of year
1977	\$82.1	\$87.7	-\$5.6	\$35.5
1978	93.5	97.7	-4.2	31.3
1979	107.6	111.3	-3.7	27.6
1980	117.6	126.5	-8.9	18.7
1981	125.8	136.5	-10.7	8.0
1982	145.0	146.4	-1.4	6.6
1983	154.6	155.4	-0.8	4.7
1984	164.6	166.4	-1.8	2.9
1985	175.3	175.8	-0.5	2.4
1986	186.8	185.5	+1.3	3.7

¹ Including interest on invested assets.

NOTE: After 1986, trust funds balance is estimated to increase each year.

Mr. MICHEL. Mr. Speaker, will the gentleman yield?

Mr. FRENZEL. I yield to the gentleman from Illinois.

Mr. MICHEL. I thank the gentleman for yielding.

(Mr. MICHEL asked and was given permission to revise and extend his remarks.)

Mr. MICHEL. Mr. Speaker, the passage of the social security legislation now before us will have 3 disastrous results: it will place a crushing and well-nigh intolerable burden onto the shoulders of taxpayers and consumers; it will begin a fierce conflict between generations in this country, as the young are asked to pay more and begin to fear they will never regain in old age what they contribute to it; and, finally, it will once and for all confirm in the minds of the American people the serious doubts they have about the capability of the Congress to deal with national problems.

Columnist Tom Wicker of the New York Times recently described this bill as an "economic disaster." He pointed out the following:

Long-term tax increases totaling \$227 billion dollars would be imposed in regular steps between 1979 and 1987. Note that the Congress that voted this body-blow to the American wallet prudently put off the first of the increases until after its members try to get themselves re-elected next year.

These payroll tax increases are regressive and severe. Under current law, a worker paying the maximum tax in 1979 would have been hit for 6.0 percent of the first \$18,900 of his earnings, or \$1,134.45, which is bad enough; under the new bill, a worker at the maximum would pay 6.13 percent on \$22,900, or \$1,403.77, in 1979. How does a new one-year tax bite of \$260.32 grab you?

By 1987, workers and employers will be taxed at 7.15 percent on the first \$42,600 of income—\$3,045.90 at the maximum. Thus, over the life of the bill, the payroll taxes of persons paying the maximum will be nearly tripled, as will the matching taxes of their employers.

The Wall Street Journal had the following to say about this legislation:

In essence, the Social Security bill will be but another government program that encourages consumption at the expense of capital formation. That can only mean more inflationary pressure, which creates a vicious cycle by pushing tax rates higher and higher.

This is not just another bill. It has to be regarded as the biggest tax bill of all time. I tell you, Mr. Speaker, the American people will never forgive or soon forget what this bill will do to their families.

The irony of all this is, we don't have to travel this particular route. We are told that it will save the social security system. But what kind of salvation do we purchase with the crippling taxes this bill will impose, with the inflation it will create, with the bitterness it will form in the large, hard-working middle-class, from whom so much is taken and to whom nothing seems to be given, except a heavier tax burden?

Let us not deceive ourselves. This is one issue on which there are partisan views, in which there are partisan differences. Our Republican version of the social security bill would place the social security system on a sound financial basis for the next 75 years. This plan would require no new taxes until at least 1982

and even then only a modest increase of one and one-quarter percent over the remainder of the 75 years. We Republicans have tried five times to cut Federal income taxes in the first session of this Congress. Five times. And the majority has opposed us every time.

The American people are not so easily fooled, Mr. Speaker. They surely are not fooled by the President's rhetoric that he will reduce taxes. This social security tax and those proposed energy taxes will not only take money from the taxpayers but cause inflationary pressures that will reduce the taxpayers purchasing power of what he has left.

Today, on the eve of the 204th anniversary of the Boston tea party, the ancient enemy of the American people—high taxes—is still alive. Two hundred years ago tomorrow the people retaliated by dumping tea into a harbor—next year I predict they will retaliate in the voting booth. We have found there is one thing worse than taxation without representation. It is taxation with representation—of the wrong kind.

We are asked to vote yes for higher taxes and to sidetrack an attempt by Senator ROTH to give tax relief to those sending their children to college.

I call upon members, in the spirit of those colonists who showed their contempt for the King's taxes, to dump this bill, sink it to the bottom, and join with those of us who have a better alternative.

Mr. Speaker, while I have to vote against the social security conference report, I think it important to call to the Members' attention the fact that the report contains several welfare reform provisions which were added in the Senate.

The provisions included would provide fiscal relief to the States and localities, incentives for lowering AFDC error rates, access by AFDC agencies to wage records, and authorization for State welfare demonstration projects.

All four of these provisions are among those contained in the welfare reform bill I introduced 2 weeks ago, entitled the Welfare Improvement and Cost Reduction Act. The only difference is in the amount provided for fiscal relief. The conference report provides \$187 million over a 1-year period, while my bill contains \$2 billion in fiscal relief for the States and localities over a 2-year period. I would provide more relief for New York State alone than this report provides for the entire country.

Numbers aside, I commend the House conferees for accepting these four provisions. This action represents a significant first step in the direction of legitimate and realistic welfare reform. To be sure, of course, there is still a long way to go, and the bill I have introduced contains many other provisions which would take us a long way toward completing the process. I would do so in a manner that does not alter our current programs. I do not drop the food stamp program; I do not eliminate the SSI program; I do not structurally change the AFDC program.

What we do in essence is to zero in on the administration of our present programs. We provide tools and incentives

designed to reduce the error rates. Eliminate the ineligibles, correct structural deficiencies, and strengthen the work options and requirements. We also provide the States with increased opportunities to experiment with alternatives, part of which is provided for in this conference report.

All told, with these reforms in place, my bill would result in net savings of \$1.1 billion to the Federal Government and

\$2.5 billion to the States in the first full year of implementation. In the Record at the end of my remarks, I will be inserting a breakdown of the costs or savings for each section of the bill, based in the main on estimates provided by HEW.

We know, of course, that the Ad Hoc Committee on Welfare has accepted the Carter welfare proposal virtually intact. I don't think anyone here expects that action to stand, and rightly so, because

the Carter wholesale alteration contains too many imponderables on which we simply do not have sufficient information to construct sound legislation. The bill I have introduced represents a moderate approach that makes improvements in the present system while buying us the necessary time to more thoroughly consider alternatives. I will be reintroducing the bill today with cosponsors, and I welcome any others who may be interested.

WELFARE IMPROVEMENT AND COST REDUCTION ACT OF 1977

Bill Sec. No.	1978	1979	1980	1981	1982	Bill Sec. No.	1978	1979	1980	1981	1982
FEDERAL DOLLAR SUMMARY						[STATE DOLLAR SUMMARY]					
Title I:						Title I:					
101.....	NC	NC	NC	NC	NC	208.....	-104	-109	-114	-124	-131
102.....	-4	-5	-6	-6	-6	210.....	NC	-900	-1,240	-1,280	-1,320
103.....	0	+40	+43	+45	+47	212.....	-43	-46	-48	-53	-56
104.....	+8	+11	+12	+13	+14	214.....	-35	-40	-50	-60	-70
105.....	NC	NC	NC	NC	NC	Total.....	-182	-1,095	-1,452	-1,517	-1,577
Total.....	+4	+46	+49	+52	+55	Title III:	NA	NA	NA	NA	NA
Title II:						Title IV:					
201.....	+7	+7	+8	+8	+9	401.....	-23	-24	-26	-28	-30
202.....	NC	NC	NC	NC	NC	402.....	-371	-500	-525	-551	-579
203.....	NC	NC	NC	NC	NC	403.....	-43	-55	-60	-65	-70
204.....	-9	-9	-10	-11	-12	405.....	-14	-15	-29	-58	-58
205 and 206.....	NC	NC	NC	NC	NC	Total.....	-451	-594	-640	-702	-737
207.....	NC	NC	NC	NC	NC	Title V: 501.....	+1,000	+800	0	0	0
208.....	-104	-109	-114	-124	-131	Total.....	+469	-1,145	-2,495	-2,675	-2,828
209.....	NC	NC	NC	NC	NC						
210.....	NC	-1,350	-1,890	-1,985	-2,085						
211.....	NC	NC	NC	NC	NC						
212.....	-43	-46	-48	-53	-56						
213.....	NC	NC	NC	NC	NC						
214.....	-35	-40	-50	-60	-70						
Total.....	-184	-1,547	-2,104	-2,225	-2,345						
Title III: 301.....	+100	+150	+200	+200	+200						

Code: +=increased cost; -=savings; NA=not available; NC=no identifiable cost change.

WELFARE IMPROVEMENT AND COST REDUCTION ACT OF 1977 (H.R. 10193) TABLE OF CONTENTS

TITLE I—CHILD SUPPORT

- Sec. 101. Method of Payment for Child Support Collection Services.
- Sec. 102. Treatment of Certain Child Support Collections after termination of aid to families with dependent children.
- Sec. 103. Child Support Collection and Paternity Determination Services.
- Sec. 104. Payments to states for compensation of court personnel in child support cases.
- Sec. 105. Federal matching for computer systems under child support and establishment of paternity programs.

TITLE II—PROGRAM ADMINISTRATION IMPROVEMENTS

- Sec. 201. Additional federal funding under aid to families with dependent children programs for certain mechanized claims processing and information retrieval systems.
- Sec. 202. Access to wage information.
- Sec. 203. Safeguards restricting disclosure of certain information under aid to families with dependent children program.
- Sec. 204. Recipient Identification Card.
- Sec. 205. Federal financial participation in the investigation and prosecution of fraud.
- Sec. 206. Payment of Administrative Costs to localities.

- Sec. 207. Compilation of fraud data by Inspector General.
- Sec. 208. Determination of benefits in certain cases where child lives with relative not legally responsible for his support.
- Sec. 209. Immediate Access to Parent Locator Service.
- Sec. 210. Establishment of a Monthly Retrospective Accounting Period for the aid to families with dependent children, food stamp, and medic-aid programs.
- Sec. 211. Federal financial participation in certain restricted payments under aid to families with dependent children program.
- Sec. 212. Aliens receiving public assistance.
- Sec. 213. Continued absence definition.
- Sec. 214. Establishment of quality control system for aid to families with dependent children programs.

TITLE III—CHILD CARE IMPROVEMENTS

- Sec. 301. Increase in ceiling on federal social services funding, extension of special provisions relating to child day care services.

TITLE IV—WORK RELATED PROVISIONS

- Sec. 401. Incentive to report earned income by aid to families with dependent children.
- Sec. 402. Earned income disregard.
- Sec. 403. Improvements of work and training requirements under aid to families with dependent children programs.
- Sec. 404. State demonstration projects.

- Sec. 405. Community work and training programs.

TITLE V—FISCAL RELIEF FOR STATE AND LOCAL WELFARE COSTS

- Sec. 501. Fiscal relief with respect to costs of welfare programs.

Mr. ROSTENKOWSKI. Mr. Speaker, the conference report currently before the House is one that deserves the strong support of this body. It represents a very thoughtful compromise of the issues in dispute in this bill—the most complex and important legislative initiative on which we, in this first session, have completed our work. This is, I believe, one of the rare instances in which the product of a conference committee can truly be said to be a better bill than either version that was sent to the conference.

Early in this session, we began consideration of this legislation primarily because of the impending insolvency of two of the three social security trust funds. Yet, during both House and Senate consideration of this emergency financing bill, too much emphasis, in my opinion, was placed on expanding the benefit structure of the program and too little concern was focused on the real problem—assuring the financial stability of the three trust funds. I am pleased to say that I believe the conference committee has carefully addressed this prob-

lem and rectified what I believe was a serious weakness in both the House and Senate bills.

One indication of the strength of the conference compromise is that under the House version of H.R. 9346 the OASDI trust fund would have had on hand at the beginning of 1987 an amount equal to only 37 percent of that year's obligations. In the Senate bill, that percentage would have been 44 percent. Under the conference compromise, the OASDI trust fund, in 1987, will have on hand a reserve equal to 60 percent of the projected outgo for that year.

Mr. Speaker, such a result was achieved through a careful adjustment in the rates and wage bases and the willingness of the conferees to forsake benefit expansions at this time in order to assure both today's retirees and those who expect to benefit from the program in the years ahead that the promises of social security protection can be fully relied upon.

Mr. Speaker, we have read much in the press about the dramatic increases in taxes embodied in this bill. I hope everyone will remember, in reviewing the higher contribution rate and base included in this bill, that existing law already includes substantial future adjustments in the rate and base to cover anticipated future financial needs. The appropriate comparison, then, is not with today's social security taxes, but with the increases already scheduled in existing law.

Also we must all keep in mind that any increases in the contribution bases will ultimately provide higher benefits to current workers when they retire. For example, the maximum benefit in 1977 of \$5,244 will be increased to approximately \$9,900 in 1987 as a result of the higher contribution base.

Finally, Mr. Speaker, I would like to address myself to the subject of the hospital insurance fund—the often ignored third part of our social security insurance system. As the result of a poorly structured floor amendment in the House relating to the exclusion of Federal employees from the program, assets in the medicare trust fund would be reduced between 1982 and 1987 by almost \$25 billion below the level originally recommended in the Ways and Means Committee bill. Although it was not possible in the conference to restore the actuarial balance of the medicare trust fund to the level incorporated in the Ways and Means bill, every effort that was possible within the scope of conference was exerted to restore financial stability to the medicare program—the main source of financing health care for America's elderly. The long-range stability of the medicare trust fund will inevitably have to be reviewed in the context of any proposed changes in the Federal Government's role in the delivery and financing of health services. In the meantime, let me assure my colleagues that the medicare trust fund has been somewhat strengthened through this legislation and is on firm footing at least through the end of the next decade.

Mr. VANIK. Mr. Speaker, I rise in support of the conference report to H.R.

9346, the Social Security Financing Amendments of 1977. This legislation represents a responsible attempt on our part to assure the actuarial viability of the social security trust funds for many years to come.

Why has the social security fund run into financial trouble? The major culprit is the problem of the recession and the persistently high rate of unemployment which reduced contributions to the social security fund. If unemployment over the past 6 years had remained below 5 percent, a reasonable goal, the fund would have been in surplus by \$48.5 billion instead of confronting a deficit.

The first social security benefits were paid in 1940. Since 1950, social security beneficiaries have enjoyed 12 cost-of-living increases:

(In percent)	
September 1950.....	77
September 1952.....	12.5
September 1954.....	13
January 1959.....	7
February 1968.....	13
January 1970.....	15
January 1971.....	10
September 1972.....	20
June 1974.....	11
June 1975*.....	8
June 1976*.....	6.4
June 1977*.....	5.9

*Automatic cost-of-living increases, as provided in the Social Security Amendments of 1972.

Benefit levels this year are 150 percent over 1959. No insurance policy in America recognized inflation and provided a comparable cost-of-living boost.

These cost-of-living increases over the years were never adequately funded. The social security reserves were depleted by the reduced contributions of the recession and this failure to properly fund cost-of-living increases. These higher payouts were not arbitrary; they were necessary to prevent the shift of millions of Americans from social security support to public assistance. It must be acknowledged that the social security fund carried a tremendous burden which substantially belonged to the general fund.

This legislation before us today will increase social security taxes. However, compared to other nations, we are still providing more coverage for less. Thirty-three million people receive monthly social security checks. Most will receive infinitely more than they have paid in. If the average social security retiree lives as little as 2 or 3 or 4 years beyond retirement, he will have received more than his contribution.

In view of increased premiums, why should a young worker accept the social security program? Because social security does more than take care of the retired worker. Its most important task is insuring against loss of family income due to death or disability. Today, monthly payments to widows and families are double the payout to the retired worker. Two-thirds of social security benefits are paid to the family as income insurance rather than to the retiree.

Even with the social security tax increases that we are voting today, the social security and survivors insurance

benefits received under this program are the best bargain available to American people at any age.

Mr. JENKINS. Mr. Speaker, I rise to express both a note of optimism and one of caution to my fellow Members.

First, I shall support the report of the conference committee which provides for sufficient revenues to pay the retirement checks to 33 million Americans who are now dependent on social security old age retirement, survivorship, and disability benefits. While I do not like the financing scheme in the House bill, the Senate bill or the conference report, it would simply produce unimaginable chaos and confusion throughout the Nation for this Congress to allow the retirement program to become insolvent.

Essentially, a vote today against this report is a vote for preferred insolvency placing millions of elderly, blind, and disabled Americans in severe and destitute circumstances.

However, I must tell you as emphatically as I did when we debated this bill here on October 26 and 27 that it was a serious mistake not to adopt my amendment which would have provided an alternative financing measure. Every bit of the burden to bail out this system has been leveled on the shoulders of middle-income Americans, self-employed citizens, small and independent business people. My amendment gave them some relief.

Again, I must say that I do not know your people individually, but I would believe that they must feel similar to my people.

These middle-income Americans are deeply upset over the sudden and large added burden to the State property and income taxes; the local service and user charges and the Federal income and FICA taxes. I do not believe that they intend soon to forget our action here.

Finally, I am deeply gratified that the conference report provides for the National Commission on Social Security which I proposed. To most working Americans this high level and nonpartisan independent analysis of social security is the only gleam of hope in this law for a sound and economically affordable system of financing retirement over the long term.

This legislation has been very difficult for most Members. Raising taxes is always difficult and unpopular. It should be said in conclusion that the system will be made solvent while we look for better approaches.

I hope that this action today does not end our struggle with this issue. We must give the problems of social security financing attention next year and the next year to assure the best, safest, and most economical system.

Mr. REUSS. Mr. Speaker, the social security proposal before the House is inflationary and inequitable. It threatens the health of the economic recovery, and will discourage many firms from hiring additional workers. I intend we should rely less on payroll taxes and more on general revenues.

The conference agreement on social security does go a long way toward put-

ting the system on a sound financial basis. There is no doubt that the system is in need of reform. Without some change, the system will be faced with mounting deficits over the next decade. But the urgency of the situation does not justify precipitous action on a bill that creates as many problems as it solves.

Take a hard look at what we are about to enact. Sharp increases in payroll taxes are sure to be reflected in the cost of goods and services. What we do not need is more inflation.

Every time we increase payroll taxes it becomes more expensive to hire a worker. There are already some 7 million Americans looking for work who cannot find it. There is no need to add to that total.

A sharp rise in payroll taxes takes money out of consumers' pockets and leaves unsold goods on merchants' shelves. That is no way to keep a recovery moving. Worse, the increase in taxes will really begin to bite in 1979, when many already expect a downturn in the economy.

And payroll taxes put an added burden on workers who are at the very bottom of the income scale. By putting considerable emphasis on increasing the taxable base, the conference report may mitigate the inequities that come with payroll taxes. But tax rates are already scheduled to rise under present law, and the conference agreement would raise them even higher.

The conference agreement reflects long hours and a delicate compromise. There is an understandable reluctance to put all that effort aside for a fresh start. We are also urged to act quickly so that the administration can set its budget and tax plans in a manner that will attempt to undo the adverse economic impact of the social security bill. What a way to legislate. Why not do it right the first time?

Mr. Speaker, the social security bill should be put over until the next session. A new bill should be drawn up that will restore financial health to the social security system without causing so many unfortunate economic consequences.

Mr. OTTINGER. Mr. Speaker, during earlier House consideration of this bill designed to alleviate the financial problems of the social security system, I stated my grave reservations regarding the increased payroll taxes mandated by this legislation. My overriding concern remains the effect of these increases on the low- and middle-income taxpayers. These workers are the backbone of our Nation. They must not be taxed out of existence.

I am voting for this bill because of the urgent need to protect social security recipients. However, I believe we should consider immediately alternate means of financing social security programs.

I have joined the chairman of the House Social Security Subcommittee, Representative JAMES BURKE in sponsoring legislation to provide relief to middle-income workers. This legislation would cut the social security taxes for employees and employers almost in half, from 6.05 percent to 3.09 percent in 1979, and make up the income loss to the trust

funds from general revenues. This would mean more take-home pay for most workers. For example, under the present plan, social security taxes for a worker earning \$15,000 a year will be \$907.50 in 1979. Under my plan, the tax would be \$585; a savings of \$322.50.

In addition, this bill would keep the social security trust funds secure and provide a much more equitable distribution of the tax burden. The Social Security Administration estimates this proposal would result in a substantial surplus in the trust funds in 10 years. And at the going rate of interest, the trust funds would earn close to \$140 billion during these 10 years, eliminating any need for future increases in taxes.

Mr. Speaker, I also would like to express my disappointment that the final version of this social security legislation does not contain the House-passed provisions regarding the social security earnings limitation. The House bill would have phased out the current \$3,000 limit on wages a social security beneficiary may earn without a reduction in benefits. We voted to eliminate the limit entirely in 1982. The bill we are considering today liberalizes the earnings ceiling to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and the conferees added \$6,000 in 1982. The bill also contains a Senate provision which reduces from age 72 to age 70 (effective in 1982) the age at which beneficiaries are no longer subject to the retirement test. While I support these changes, I believe we should eliminate the limit altogether. By not allowing social security recipients to supplement their social security benefits with earned income we are undermining an objective of the Social Security program—to supplement retirement income. The ones who are hurt the most are the lower income retirees since they have greater need to supplement their social security benefits and are unlikely to have investment or other income which is not subject to the earnings limit. Despite passage of this bill today, I plan to continue to press for the elimination of this unfair earnings test.

Finally, Mr. Speaker, I would like to comment on the deletion of the \$250-a-year tuition tax credit from this bill. I strongly support tax relief to help families meet their educational expenses. I have cosponsored several bills to provide this desperately-needed financial assistance. We must provide assistance to middle-income families who are seldom eligible for grant or scholarship aid and find it increasingly difficult to meet the high cost of education.

A large number of House Members have shown their strong support for this kind of relief by cosponsoring similar measures in the House and by voting for an amendment to the budget resolution to allow enactment of this kind of legislation. This proposal has strong backing in my district as well. In fact, a grassroots organization has been formed to work for passage of this measure. They have my full support for their efforts.

I understand that the Senate conferees agreed to drop the proposal for now rather than hold up any longer passage

of this social security bill. Supporters of the proposal promised to be back with it next year and the chairman of the House Ways and Means Committee said the college tax credit will be considered by his committee next year as part of an overall review of the tax system. Once the issue has been considered carefully by this House committee I am confident the need for relief will be clear and this measure will be enacted.

Mr. KEMP. Mr. Speaker, this bill today will raise taxes and the tax rates on the American people by \$227 billion over the next decade. In their haste to ram this tax increase down the throats of the American people the administration and the majority party in Congress have given little thought to the economic consequences of what they are doing. This bill will further depress our fragile economic situation and lead to job loss not job creation.

As I have often said before, when you tax something you get less of it. There are no two ways about that. So here we are preparing to tax employment at a time when the Nation has 7 percent unemployment plus. The result will be more unemployment, with all the political, sociological, and economic problems it will cause. Even now the President is proposing passage of the Humphrey-Hawkins "full employment at any price" bill. Will not demands for further massive public employment programs intensify if we take actions which will increase unemployment in the private sector?

The increasing social security tax rates, from 5.85 on both workers and employers—for a combined rate of 11.7 percent—to 7.65 percent—for a combined rate of 15.3 percent—will increase the wedge between the total cost of hiring a worker and the after tax income of the worker by almost 4 percent. This means that a single worker earning \$16,000 per year is virtually in the 50-percent tax bracket—34 percent Federal income tax plus 15.3 percent social security tax, for a combined rate of 49.3 percent. And this does not count State income taxes. In New York State this worker would pay another 10 percent State income tax, for a total tax rate burden at \$16,000 of 60 percent. The result will be a loss of initiative and incentive plus a net loss of economic output.

Some may say that this analysis is not correct because employers are paying half of the social security tax bill. But the total cost of employment is not only the worker's salary but all the taxes as well. In other words, it will cost an employer \$1.66 to give an employee in New York State earning \$16,000 per year an additional \$1 take home pay. The Government gets all the rest.

This point was recently emphasized in a report released by joint council 16 of the Teamsters Union in New York City prepared by its chief legislative counsel, Mr. Nicholas Kisburg. In this report on factory earnings the Teamsters said:

[What government extracts from the individual employer irrevocably reduces the amount of money the employees of that employer will be able to secure through union collective bargaining or individual negotiation.

What government extracts in the form of

open and concealed taxes from the individual worker simply reduces the amount of money available to the family for food, clothing and shelter.

Having only one source to turn to, the worker attempts to replace the monies expropriated by government by escalating his wage demands on the employer. Thus begins the chain reaction which frequently leads to reduced employment opportunities and, worse, relocation of business.

The simple and ironical fact is that the tax collector does not pay union dues, does not walk the picket line, but is nevertheless the first beneficiary of any wage increases secured by the worker. This perfect stranger gets his cut first, leaving a substantially reduced amount for the family.

Furthermore, we should not delude ourselves into thinking that the increase in the wage base proposed in this bill, from \$16,500 to \$42,600, will shift the burden of taxation off of moderate income workers. This is because inflation is increasing nominal incomes daily, pushing people into higher and higher tax brackets. Thus a person earning only \$12,000 per year now will find himself in the 50 percent combined tax bracket by the 1980s, at present inflation rates. I think there are very few people in this country who believe that a person earning \$2,000 per year ought to pay 50 percent of his additional income in taxes. Is it any wonder that many unions have already shifted their primary demands away from higher wages to more non-taxed benefits?

Of course, the social security tax increases before us today will not solve the fundamental problem of the social security system, which is that it is not an insurance or pension system at all, but rather a vast transfer payment from those presently working to those who have retired. Unfortunately, the illusion that it is an insurance or pension system has blinded us to some serious side effects of social security on the economy.

The most important of these side effects is the effect on capital formation. Historically, much of the Nation's real savings, and hence its capital, came as the result of individuals saving for retirement. This motivation, and hence the savings, has gone down steadily over the years as social security taxes and benefits have gone up. The result, as Prof. Martin Feldstein has pointed out, is a reduction in capital formation with which to create jobs and modernize and expand our Nation's plant and equipment.

The present bill will accelerate this trend by motivating employers to cut back on private pension plans. Private pension plans currently provide the Nation with roughly \$30 billion in capital per year. The Social Security Trust Fund, by contrast, creates no capital whatsoever because the funds are not invested, merely transferred.

One last point should be raised about provision of the conference bill to give a one-shot payment of \$187 million to local governments for welfare costs. I can only assume that this was put in as a sweetener to induce local governments to support this legislation. If this is the trade-off, it is certainly a one-side trade. According to my estimates, Erie County

New York would get about \$1,000,000. In return, every employee and employer in Erie County would have their taxes raised. Since there are roughly 340,000 workers in Erie County earning roughly \$3.5 billion per year it means that Erie County stands to lose more than \$125 million per year by 1990. And this does not even begin to calculate the effects of inflation, which could easily increase this figure by many millions of dollars.

In conclusion, I must urge my colleagues to oppose this measure and realistically face up to the increasing long term deficit of the social security system along the lines suggested by those of us who want expanded growth in private enterprise and which would not depend on an increase in taxes to bail the system out. Federal employees, millions incidentally, must be included if the system is to be saved, as it must be. We must study all alternative and reform measures while not acting so precipitously. The long run implications of this tax increase are devastating.

Mr. BIAGGI. Mr. Speaker, it is with a high degree of reluctance that I support this conference report today. Inevitably, legislation of this magnitude is a product of compromise and this bill is no exception. I differ with much of what is being proposed here today. I believe the House-passed bill was far better.

However, the compelling factor which leads me to support it, is the disaster which would strike the elderly of this Nation if social security benefits were to stop. This is not a figment of imagination, but an imminent reality. Based on the most reliable projections, without some new and immediate infusions of funds into the trust fund, it would dry up in the early 1980's.

What would this mean? For 75 percent of our elderly it would mean the loss of their principal source of income. It would result in these seniors after working and contributing faithfully for their retirement years be forced to turn to welfare or other sources of income. The consequences would be tragic and traumatic for all concerned. The specter of seniors without income would be more than the conscience of this Nation could endure.

This legislation is regressive instead of progressive. It places an inordinate burden on employers and employees. Why we continue to fear tapping the general treasury to preserve the Social Security Trust Fund is beyond me. I have joined and will again with the distinguished gentleman from Massachusetts (Mr. BURKE) as a cosponsor of legislation providing a one-third employer, one-third employee and one-third general revenue arrangement for funding the system.

I have also in the past, proposed that a National lottery be established for an additional means of maintaining the system. Either of these approaches would be far better than what we have before us today. The demographic facts of life dictate a change in our thinking about future funding for social security. I have conducted hearings in the House Select Committee on Aging, which identify a rapidly aging population, with a

corresponding reduction in the numbers of workers contributing to the system. The leadership of our committee resulted in the passage of H.R. 5383, to curtail mandatory retirement. We saw and still see this as a logical means of helping the system—allowing people to work past 65—contribute to the system, thus insuring its future solvency. Hopefully, this legislation can be signed into law without further delay.

The continued decline between workers and beneficiaries is the reality we must deal with. A few years ago, it was 4 to 1, today it is 3.2 to 1. By the year 2030, the ratio will approach 2 to 1. The answer to this dilemma is not more taxes on the limited workers but rather to provide a sharing arrangement between payroll taxes and general revenues for future social security trust funds.

Let no one here believe that this legislation represents the alpha or omega with respect to social security reform. It is imperfect but it is necessary, without it we would have unparalleled economic hardships directed against the elderly.

Mr. HARRIS. Mr. Speaker, while it is gratifying that Congress has taken strong steps to shore up the social security program for current and future retirees, I am disappointed that Congress has not developed reforms of the tax rate and wage base aspects of the program.

I believe that ultimately we must take a hard look at how the revenues generated from the social security tax on the employee and employer are truly used and develop a system that supports only retirement. Currently, 1 percent of the social security tax constitutes a contribution for the medicare hospitalization program and almost 1 percent is used for disability insurance. Additionally, out of the employee's and employer's contribution come administrative costs of the social security program, including the construction and rental of buildings and the salaries of personnel.

I am preparing legislation, which I will introduce in January when Congress reconvenes, to make real reforms and lower the tax rate for the employee and employer. It is my view that these "non-retirement" aspects of the social security program should be financed out of general revenues, not employee's salaries. The employee, I think, is willing to provide for his or her future retirement. But by putting other programs in with social security, I think we are misleading people and asking them to accept a payroll tax to finance programs that ought to be supported by general revenues.

OFFSET FOR DEPENDENTS UNFAIR

I oppose the provision, recommended by the Senate, to offset social security dependents benefits received by one spouse by the amount of government—Federal, State, and local—retirement benefits received by the other spouse. In my view, this provision will force serious financial hardship on many retired couples and in November I wrote the conferees urging them to delete the offset language from the bill. We should

not try to shore up the social security system by reducing the benefits rightfully earned by people who paid into this system simply because the spouses of these people happened to work for the Government.

It is my understanding that the conferees' amendment provides an exemption to the offset provision for persons who, within 5 years after the date of enactment: First, qualify for or receive a public pension; and second, meet all requirements for receiving spouse's dependency benefits which were in effect on January 1, 1977, but do not now receive them either because they are too young or because their spouses, although eligible, do not yet receive benefits. While this 5-year delay for some people will be of some help, it is not a satisfactory solution.

The apparent rationale for the offset provision is that men who receive public pensions will get some sort of a "wind-fall" if they are also allowed to receive social security dependent's benefits, and that since they may not be "truly dependent," they must be able to "prove" their dependency in order to get a permanent exemption from the offset provision. Last March, the Supreme Court decided that men need not prove their dependency upon their wives to receive social security benefits—Goldfarb against Califano.

I think it is unfair and discriminatory against men to require only men who receive public pensions to prove their "dependency" or to reduce the benefits that their wives worked for and earned, to help see them through their retirement.

Unfortunately, by waiving the 3-day layover rule for conference report consideration, we have not had sufficient time to fully understand the offset language worked out by the conferees. I hope Congress will take a hard look at these changes in the second session and guarantee Government retirement benefits and social security retirement benefits to people who have earned them and expect to receive them.

CIRCUMVENTING CIVIL SERVICE RULES

I am also concerned about a provision adopted by the conferees that converts 150 "temporary" employees at the Social Security Administration into permanent career, civil service jobs. A bill, H.R. 5723, which is identical to this section of the conference report, was jointly referred to the Committee on Post Office and Civil Service and the Committee on Ways and Means. The Civil Service Subcommittee on Employee Ethics and Utilization, on which I serve, developed and reported a reasonable solution to this problem, giving these employees an opportunity to qualify for career jobs. I believe the action of the conferees violates the merit principles of employment, the foundation of our Federal personnel system and is a disservice to other Federal employees who must compete and qualify for Federal jobs according to standard civil service procedures. Quite frankly, we should not be legislating people into jobs. We either have a merit system or we do not. We should not create an

impartial, orderly merit system and then thwart it.

While the social security financing bill is flawed, I must reluctantly vote for it because the State of the fund requires our immediate action, in order to guarantee a secure, predictable retirement for our citizens. Both Houses of Congress have made a commendable effort to shore up social security. I will work in the second session to rectify what I think are mistakes and bring true reform to the program.

Mr. CONYERS. Mr. Speaker, as the social security financing bill, H.R. 9346, comes to a vote, I will support the bill, but with serious reservations.

Social security taxes will be the highest tax paid by two-thirds of the Nation's income recipients, including individuals and families living below the poverty level. These payroll taxes are also among the most regressive, and will become only slightly less regressive in future years as a result of this legislation. They will continue to exact a far greater tax burden on low- and moderate-income earners, as a percentage of earned income, than on upper-income groups. Payroll taxes are regressive in several ways. The ceiling on outside earnings, though raised somewhat, means that retirees who are able and willing to work to derive additional income will continue to lose social security benefits above the earned income ceilings, while retirees who draw income from assets lose no benefits whatsoever. Payroll taxes and benefits, in disregarding retirees' wealth and income derived from assets, serve to perpetuate a system that places a greater tax liability on income derived from labor than on income derived from property.

The increased payroll taxes will place yet another disproportionate burden on low- and moderate-income earners. Employers pass on their additional social security taxes in the form of higher prices and also use these taxes as a reason to suppress demands for higher wages. The inflationary impact of higher prices resulting from increased social security taxes, their depressive effect on the economy, including the prospect of yet higher unemployment, will hit hardest the pocketbooks, wages, and employment of lower-income groups and marginal workers.

The social security financing bill has to be viewed in the larger context of overall Federal taxes, tax expenditures, and spending. It is part and parcel of a pattern of Federal action that is increasing the tax breaks that go to higher-income groups while increasing the liabilities of low- and moderate-income groups.

There are two Federal systems for affecting income distribution in this country. One is direct Federal spending and stimulus programs to cut unemployment that, overall, have a positive redistributive effect on the incomes of the working class and lower-income groups. The other system consists of tax expenditures and payroll taxes that, overall, redistribute income to those groups that should be shouldering a greater burden rather than receiving greater benefits. In fiscal year 1978 tax expenditures will

amount to more than \$124 billion, nearly 30 percent of total direct Federal spending. These tax credits and subsidies overwhelmingly favor the propertied, upper-income groups, and the corporations. As taxes imposed on workers and low-income families increase, so do tax breaks to the well-off. It is no accident that in the conference on H.R. 9346, the Senate nearly succeeded in coupling increased payroll taxes to yet another tax break for upper-income groups, a \$250 a year tax credit for higher education.

The effect of recent Federal tax action along with the Government's failure to achieve full employment and price stability is to deepen the already gross income disparities among citizens. This country urgently needs full employment—the most equitable income distribution system of all—and a decent income maintenance program for those unable to work. What is needed is a thorough reexamination of the impact of all Federal tax and spending programs on income distribution, and fundamental reforms that apportion benefits and burdens equitably and adequately.

Mr. AMBRO. Mr. Speaker, although I voted for the conference report on the bill to provide adequate financing for the social security system, I firmly believe that substantive redrafting of legislation to insure the solvency of the trust funds is needed. The increases in both the taxable wage base and the percentage rate contained in this bill will have so severe an impact on the average American taxpayer and will result in such a huge drain on the economy, generally, that a large Federal tax reduction is a necessity.

When the House of Representatives originally considered this bill, I did not favor the use of money from general revenues to offset the contributions made into the system by the employer and the employee. The specific provisions of the conference report, however, require that we take a second look at the possibility of using general revenue funds for a portion of the money needed by the social security system. Since its inception, the trust funds have been supported on a bipod of employer/employee contributions, but now we must seriously consider instituting a tripod of employer/employee/general revenue funds to support the social security system. A tripod of this nature would give increased stability to the social security system, especially if we could—and we can—devise a practicable formula to use the third leg only when the other two weaken.

I was unhappy with the Ketchum amendment to the original version of this bill, but I supported it, inasmuch as there was no alternative, but the conferees' version of the earnings limitation is simply not responsive to present-day circumstances. I have sponsored legislation dating back to 1975 which would increase the outside earnings limitation to \$7,500 immediately—a figure which is more realistic than this bill provides in these inflationary times.

I sincerely hope that the Commission on Social Security created by this bill will be able to make a comprehensive study of the social security system and recommend remedies for the ills of the system.

so that we will be in a position to draft amendments to this bill in the near future which will be more deliberately practical to the working man and woman, to the employer, and to the Nation as a whole.

A yes vote on this debatable measure means only that I solidly support the attempts—however hastily conceived—to assure the solvency of the social security trust fund, but I do so with the conviction that this bill desperately needs in-depth review and revision.

Mr. GORE. Mr. Speaker, we are about to make a grave mistake by passing this bill. There is no question about the fact that we must put social security on a firm financial foundation. I support that effort wholeheartedly. However, there are good ways to accomplish that goal and bad ways to accomplish that goal.

The imposition of a highly regressive increase in the payroll tax is the wrong way to strengthen social security. The payroll tax hits hardest at working families and small business and, in general, at those who can least afford to pay it. It is already too high.

Early in this century, when the late Secretary of State Cordell Hull was a young Congressman representing the same district I now serve, he led the fight in favor of the principle of progressive taxation. The reform he championed can be stated quite simply: "Those who can most afford it should be asked to carry a larger share of the tax burden; those who have fewer resources should be asked to pay a proportionately smaller percentage."

This bill does precisely the opposite. That is the reason I opposed it last month and the reason I oppose it again today.

In addition, the taxes imposed by this bill will have an enormous inflationary effect. We are told that this defect will be remedied by next year's reduction in the income tax—a proposal which began as a tax reform.

However, the tandem effect of these two bills will be to shift the entire American tax structure toward a much more regressive system.

As a new Member of this body, I oppose this bill somewhat reluctantly because of my respect for the wisdom and experience of so many of my colleagues who are supporting it and who have labored long and hard to fashion it. Nevertheless, I am convinced that it is an undemocratic, regressive measure, and I intend to vote against it once again.

I insert into the Record at this point a column by Mr. Tom Wicker of the New York Times which further discusses the reasons this bill should be defeated:

PAYROLL TAX—UP, UP, UP

(By Tom Wicker)

President Carter seems eager for House-Senate conferees to break their deadlock on the minor issue of a college-tuition tax credit so they can send him a finished Social Security bill in this calendar year. But the American people would be better off if the deadlock lasted long enough for this massive tax bill to be recognized for the economic disaster it is. For example:

Long-term tax increases totaling 227 billion dollars would be imposed in regular

steps between 1979 and 1987. Note that the Congress that voted this body-blow to the American wallet prudently put off the first of the increases until after its members try to get themselves re-elected next year.

These payroll tax increases are regressive and severe. Under current law, a worker paying the maximum tax in 1979 would have been hit for 6.0 percent of the first \$18,900 of his earnings, or \$1,143.45, which is bad enough; under the new bill, a worker at the maximum would pay 6.13 percent on \$22,900, or \$1,403.77, in 1979. How does a new one-year tax bite of \$260.32 grab you?

By 1987, workers and employers will be taxed at 7.15 percent on the first \$42,600 of income—\$3,045.90 at the maximum. Thus, over the life of the bill, the payroll taxes of persons paying the maximum will be nearly tripled, as will the matching taxes of their employers.

The increases are inflationary, since it is an established economic fact that most employers pass on payroll tax increases to the consumer via higher prices. Thus, Congress has voted strong upward pressure on the price level in each of the years from 1979 through 1987.

Despite the general inflationary effect, in some cases, the bill might also work against employment. Some employers might either not hire new hands or reduce their work forces as a hedge against increasing employment costs.

In addition to these effects on inflation and employment, the payroll tax increases will cut heavily into workers' buying power. At one and the same time, Congress has managed a bill that will depress the economy and fuel inflation.

President Carter's plan to cut income taxes to compensate for these effects, even if passed, won't necessarily help that much. Annual income tax reduction will certainly not stop employers from passing weekly and monthly payroll tax increases to consumers; and whether payroll deductions for income taxes can be reduced sufficiently to maintain buying power remains to be seen. Remember that Social Security comes "off the top" of the worker's weekly check; an income tax refund at the end of the year won't put food on the table day by day.

Some may ask, "But what could Congress do? How else could it save Social Security?" Well, it could have "saved" Social Security by doing what other industrialized countries do—feeding general fund revenues into tripartite system supported by employers, employees and the general revenues for 25 to 45 percent of their social insurance funding; West Germany has been using 15 to 33 percent general funding since 1891. (I am informed by Alfred Kutzk of the University of Maryland at Baltimore).

Most of the planners of the American Social Security originally envisioned, when doing their work in the 1930's, that sometime in the 1960's it would become necessary to put general fund revenues into the system. What's more, the Federal Government has been matching all medical insurance contributions, to the Medicare system since 1965. Where's the difference in principle? Yet, Congress remains wedded to the myth that to support Social Security with general revenues would convert it to "welfare."

Mr. Carter must know that's poppycock. He proposed unsuccessfully that in years when unemployment exceeds 6 percent, the Treasury should contribute the difference between Social Security taxes actually collected and what they would have totaled at 6 percent unemployment. His later proposal to lower income taxes in compensation for higher payroll taxes would indirectly divert general funds to Social Security financing. Even the original House bill provided for automatic Treasury loans to the Social Security trust funds if they fell below 25 percent of annual

outlays; but this sensible beginning step toward general funding did not survive.

Mr. Carter nevertheless is eager to claim the "rescue" of Social Security as a legislative achievement. Since the system is in no immediate danger (whatever alarmists say), payroll taxpayers might welcome instead a veto of this huge, inflationary tax increase and a new start next year.

Mr. PEPPER. Mr. Speaker, each month 33 million persons receive benefit checks totaling over \$6.5 billion drawn on social security trust funds. Of the 33 million, over three-quarters are age 60 or over and more than one-third are over 72 years of age. These persons need to be assured that their benefits are guaranteed for years to come. For this reason, I am very pleased that the conferees have acted to get this conference report before us before we adjourn in order to provide this guarantee. I commend the House and Senate conferees for their efforts.

This conference report contains a number of provisions that I have long advocated and which I support strongly.

The "decoupling issue" is addressed in a way that greatly reduces the projected long-range deficit in the trust funds and at the same time provides a wage-indexed formula which allows retirees to share in productivity increases in the economy over their working years and which protects those scheduled to retire in the near future from being disadvantaged because of the formula change.

I am extremely happy to see that the conference report would correct a major injustice in the program by increasing the special minimum benefit for long-term, low-paid workers and including it in future cost-of-living increases. For some reason, this special minimum added in 1972 was about the only benefit not subject to the cost-of-living provisions and has suffered severe erosion as a result of high inflation over the past few years.

I am very pleased to note that the report would increase the present 1-percent credit for delayed receipt of benefits beyond age 65 to 3 percent. This almost "sleeper" provision in the 1972 amendments has not been overly utilized. I believe it contains the potential for helping to alleviate some of the financial problems of the trust funds by encouraging and rewarding persons who are willing and able to continue working to do so. I believe this approach of allowing greater options to people is infinitely superior to any attempt to force people to stay in the work force by increasing the age of eligibility from 65 to 68.

The report provides for an annual increase in the level of outside earnings of the retirement test for those between 62 and 72 at a faster rate than under current law until 1982 and lowers the age from 72 to 70 at which the earnings test is applicable in 1982. While I am happy to see some liberalization of this limitation, I wish that the report would have adopted the House provision or at least the faster increase in the level of the Senate version.

Perhaps one of the most symbolic provisions of this report is the elimination, at least for widows and widowers age 60

or over, of the so-called living-in-sin requirement of present law in order to avoid a loss or reduction in benefits. I only wish that the conferees could have accepted the House version of this provision intact.

While I find many provisions in this conference report that I support, I do have some concerns that I wish to point out. In particular, I am concerned that the standby loan authority from Federal general revenues is not included in this legislation.

In my testimony before the Social Security Subcommittee, I strongly supported the provision in the President's proposal to use general revenues on at least a limited basis. In fact, I support the proposal of Congressman BURKE to make the Federal Government an equal partner in the financing of social security benefits. While the House bill did not adopt either of these proposals, it did have a "safety valve" provision that would have allowed the old age and survivors insurance (OASI) and disability insurance (DI) trust funds to borrow from Federal general revenues whenever the assets of the trust funds drop below 25 percent of annual outgo. In my opinion, such a provision is essential to providing the needed guarantee to social security beneficiaries, both present and future, that the funds are secure and will be there when needed. I have been told that a survey of workers indicated that 60 percent did not believe social security benefits would be there when they retired. In my view, the "safety valve" provision would be a major step in dispelling this disbelief. Hopefully, the provisions now in this conference report will be sufficient to achieve this end.

While there are some other provisions that cause me concern—for example, reduction of benefits for spouses of Government pensioners, no semiannual cost-of-living increases, more rapid tax rate increases than the House bill—I am happy to see that we are taking steps to insure the financial integrity of the social security system and to assure future beneficiaries that their benefits will be paid. While I anticipate and shall work for many improvements in our social security legislation in respect to taxation and benefits this conference report gives us the best bill we can get now, which will mean so much to so many, and I support it.

Mr. McCLOREY. Mr. Speaker, I would like to address a point raised by the gentlelady from Colorado, Congresswoman SCHROEDER, and others regarding the provision in the conference report relating to administrative law judges. It appears that under this bill the status of 150 temporary hearing examiners would be adjusted so as to make them permanent administrative law judges. Taking into account the recently passed Age Discrimination in Employment Act amendments—H.R. 5383—which would totally remove mandatory retirement from the civil service, what we would effectively do by adopting the conference report is give life tenure to 150 judges.

The reason that I raise this point is that during debate on the Bankruptcy Act revision—H.R. 8200—the Danielson-

Railsback amendment was adopted, thereby removing from the bill the provision which would have given an estimated 100 bankruptcy judges life tenure. The controversy was whether H.R. 8200 as reported out by the Judiciary Committee went too far by creating as many as 100 new life tenured positions. The debate on this issue continues to this day within the committee. The provision in this social security bill would create at least one and one-half times the number of new life-tenured positions as the bankruptcy bill.

Without even going into the myriad of other objectionable aspects of H.R. 9345, I strongly believe that a vote to adopt the conference report would be extremely irresponsible in that it would summarily create such a large number of permanent life-tenured judgeship positions.

Mr. LEVITAS. Mr. Speaker, the only justification for the social security bill before the House today is that it contains my proposal for a National Commission on Social Security which can bring about a complete transition from the present social security mess we now have.

There are some people who would advocate doing nothing, but merely let the social security go bankrupt, as it will, beginning next year. It seems to me that if we have one last chance to change the present system and make it livable and workable, we should try it and not merely let the system bankrupt.

If we simply bankrupt overnight the social security system—something which is totally unconscionable—there are millions of Americans who are retired and at present depend on social security as a supplement to their savings and who will become destitute welfare cases, even though they faithfully paid their social security taxes all their working lives. There are widows and orphans who would become public welfare cases if we bankrupt the program next year, even though their deceased fathers and husbands had paid their social security taxes. Millions of Americans soon approaching retirement, having worked for years and having paid their taxes, would be left out in the cold. We must provide an alternative to this and the only way to go about that task is to thoroughly study the system and make basic changes; to question the payroll tax; to let people opt for private rather than Government coverage; and to eliminate the inequities. Now, with the establishment of the Commission I proposed, the means for change are possible.

However, we cannot go on with the present system any more. This is the end. The American people are fed up with paying more and more regressive taxes into the fiscal pit of social security as it now is operated. This bill provides the first light at the end of the dark tunnel. It provides the first—and possibly the last—hope for making fundamental changes in the social security system and thereby rescuing it in some different form. I am, of course, referring to my proposal, which is now part of this bill, the section which creates a National Commission on Social Security. As I said earlier, the existence of this National Commission is the only justification for the present bill. Without it, neither I nor

many other Members would even consider voting for this bill and its increased taxes.

I might point out that if the National Commission does its job properly, as I believe it will, then the social security tax increases, which we have heard so much about and which are scheduled to be phased in during the next number of years, will never be phased in at all. If the National Commission does its job and provides us with a new system, the American people will not ever have to pay the new taxes contained in this bill for several years in the future.

Just what is the National Commission and why must we have it?

The vast and complex social security system cannot be rewritten on the floor of Congress, with the stroke of a pen. It needs careful study to be transformed. A transition is needed to avoid chaos. What took 40 years to mess up will take a few years to clean up. If you are traveling down the highway at 100 m.p.h., you do not slow down by crashing into a bridge. You must make a safe and planned transition. That is what the National Commission on Social Security will do.

Previously, efforts to analyze and change the social security system have been controlled by the bureaucracy. All they have done over the years is rearrange the furniture on the deck of the *Titanic*. Now, we need something different and fundamental. The National Commission on Social Security will be independent of the bureaucracy and will be mandated to consider long-term and fundamental changes and solutions.

In many ways the adoption of the National Commission on Social Security is revolutionary. It is not just another study. It marks a turning point, a milestone. The social security system will never be the same again.

As we all know, social security was enacted in 1936 to meet an overwhelming need. Pensions and annuities used to be rare indeed, and mighty small when they did exist. In civilian life, the average person was on his own. Either he provided for his own old age—something few could do—or he faced such unwelcome alternatives as living in poverty, moving in with relatives willing to support him, becoming a public charge, or continuing to work, despite illness and old age.

But social security was never intended to be a complete retirement plan that would cover all of a person's needs. It was intended to be a supplement, to provide approximately one-third of what a retiree would need to maintain a comfortable standard of living.

Introduced in the early days of the Roosevelt administration, it was designed as an insurance program with mandatory premiums which would maintain actuarial integrity and would provide minimum subsistence. The system was really designed to help rural migrants to urban areas who had no means of providing for their own retirement and who constituted a potential heavy burden on society. A major failing of the concept, in my opinion, is that the supplementary nature of social security benefits has never been adequately publicized and is

realized by only a few Americans. All too many people work the bulk of their lives confidently expecting social security alone or in tandem with a pension to maintain them during retirement at their same level of living, and by the time they realize otherwise, it is too late.

Consequently, social security retirement benefits have had to rise over the decades to partially reduce what would otherwise have been a flood of applicants for State and local welfare programs. Instead of providing one-third of a retiree's income, social security for a low-paid worker now gives him about 60 percent of the wages he last got when he was working; those who were making a median wage receive about 40 percent; and the higher-paid obtain 30 percent or less of their retirement income from social security—a progressive benefit structure which to some extent offsets the regressive social security tax on employees.

This rise in benefits far beyond the increase in the cost of living over the past 40 years has obviously resulted in great changes in both the tax rate and the tax base—to the point where over half of the country's taxpayers pay more in social security taxes than they do in income taxes. By way of comparison, the social security tax rate in 1937 was 1 percent on a maximum base of \$3,000, giving a total annual tax of \$30 or less. These figures have now risen to a rate of 5.85 percent for social security and medicare combined, to a base of \$16,500 and to a tax of up to \$965.25—an increase of 3,200 percent.

Another way of illustrating this is to take the example of an employee who entered the work force shortly before 1937 and who has paid the maximum social security tax each year since then. His payment into the trust fund last year of \$895.05 represented almost 9 percent of the total contribution he has made over the last 40 years—a total of \$7,763.10 by the end of 1976, plus a matching sum from his employer.

The National Commission will examine thoroughly our present social security program in all of its aspects and recommend viable alternatives to a system which many experts and a large, concerned portion of the public believe is no longer tolerable.

Specifically, my measure provides for a National Commission of nine citizens, independent of the executive branch, to make a careful and intensive study of the entire subject—not to be confined to the limits of the present program—and to recommend specific proposals for the type of system which will best suit the needs of Americans for the rest of this century and well into the next.

This National Commission of private citizens will travel to all parts of the Nation and, in addition to testimony from experts and economists, will hear from businessmen, retired persons, professionals, widows, working people, single career persons—in short, from every element of our society.

The National Commission's final comprehensive report will set forth findings and recommendations including, but certainly not limited to, the following areas:

First, the adequacy of the fiscal condition of the present social security programs;

Second, any inequities in these programs based upon marital status, sex, or similar classifications or categories; and

Third, possible alternatives to the current programs, including a substitution of the payroll tax by general revenues, mandatory participation in a private insurance program, and a system permitting individuals a choice of public and/or private programs.

Let me emphasize that last part again. The National Commission is mandated to consider alternatives to the present system including letting people have a choice of going to the private sector and buying their own retirement, disability, and survivorship programs. I know many Americans who would even let go what they have contributed to social security thus far if they could only be free to go to the private sector for coverage henceforth.

Other changes which the National Commission will consider include removing the welfare-type programs from social security and handling them in the same way as other welfare programs.

We have a national commitment to a retirement, survivor, and disability benefits program, and we cannot allow that commitment to founder because the existing delivery system has become unsuited to our current and future needs. Our responsibility is to develop an affordable and realistic program to provide true financial security for retirees and for families whose wage earner has died or become disabled.

This National Commission, with its citizen base and high visibility, will get the job done. It is the first time since 1969 that the fundamental questions for fundamental changes are being asked. Even though the present and last administration did not advocate this idea; even though the present and past Secretary of HEW and Social Security Administrator did not want it, the American people did. Now, we have a chance.

The time for rhetoric and bandaid-and-aspirin solutions is past. The time for simply taxing people beyond the breaking point is past. Brave and bold and visionary solutions are needed. This bill with my amendment provides the framework for such solutions. Americans are ready for this approach. A courageous Congress can provide these solutions, and the time for us to do so is now.

Mrs. HOLT. Mr. Speaker, I believe it is important to recall the original purpose of the Social Security Act of 1935. It was to provide a basic retirement system financed with mandatory contributions by workers and their employers. It was not conceived to cover personal tragedies such as death, disability, or ill health.

Over the many years since then, the Congress has added survivors' benefits, disability benefits, and medicare to the program, and has increased both the benefit levels and the taxes to support them.

But Congress over-reached in the normal political fashion. It legislated a

growth rate of benefits that could not be matched by revenues from the tax rate.

We started in 1935 with a relatively simple, self-supporting retirement system, but today we have a huge, complex, and fast-growing system that cannot pay for itself unless we do something drastic.

The proposal put before us today is for drastic tax increases, which is the worst possible way to go. I believe we should return social security to that basic retirement system which it was originally intended to be. We should never have tried to cover the broad-range of personal tragedies with the social security program. We have other programs to cover personal tragedies.

Social security, as originally conceived, had one purpose: To provide retirement income for workers who were taxed throughout their working years to pay for these retirement benefits. We should not be raising their social security taxes to support outlays that were never part of the original bargain and should be covered by general revenues.

We should also be extremely concerned about the harmful economic consequences of the proposed social security tax increases on which we must vote today. These tax increases will cause higher inflation and more unemployment at a time when inflation and unemployment are the most critical problems facing our country.

The social security tax is a direct tax on jobs. The portion paid by the employer is a tax on every job, drains away capital that could be used to expand production, and increases the cost of production. This translates into fewer jobs and higher consumer prices. The portion paid by the employee reduces his ability to save and diminishes the pool of capital needed for economic growth.

And I would remind this House that there is no real economic relief to the worker in having the employer pay some share of this tax. The employer ultimately calculates it as part of the total compensation of the worker.

I would also remind this House that the middle-income taxpayer, on whom this legislation would impose a terrible burden, is outraged by the total tax burden he already pays to all levels of government. The income tax legislation of recent years has attempted to relieve low-income families, but nothing significant has been done to relieve middle-income families. To the contrary, inflation induced by loose government fiscal policy has pushed them into higher tax brackets and dramatically increased the tax load they carry.

This social security tax legislation is the third major act of the House this year that would cause serious economic damage. The large increase in the minimum wage will surely cause more unemployment and higher consumer prices. The huge energy taxes proposed by President Carter would be a disastrous blow against our hopes for reducing inflation and unemployment.

What is needed, Mr. Speaker, is a general income tax reduction for all income groups. It should be great enough to cancel out the harmful effects of the higher minimum wage, the new energy

taxes, and the higher social security taxes which will surely be enacted by this Congress. But the tax reduction should also do much more. It should be large enough to provide real relief from the inflation we have experienced in recent years.

If we want strong economic growth for our economy, if we want investment in production and the creation of productive jobs, then a general tax reduction is the remedy we should be enacting.

Mr. ROGERS. Mr. Speaker, I rise to express the concern I have about this Nation's social security program, as well as about the method of funding which is proposed to us today.

Over the years millions of Americans have made their plans for retirement in reliance on a fiscally dependable social security system. Now, we find that the ability of the system to meet its obligations is being seriously questioned. Were we not to take action to quell this uncertainty as to the future of the system, we would invite catastrophe of major proportion in the lives of many Americans. The social security system has become so important to us that, if it were to go bankrupt, there could be a loss of confidence in the economy to an extent we have not seen since the Depression of the thirties.

Now, the legislation we are considering today seeks to bail out the social security system by increasing the flow of revenues. The motives of this legislation are unquestionable. We must assure the fiscal integrity of the system. However I am very concerned about the consequences of the rate of taxation which is required to generate these revenues.

Businessmen and employees alike from my district have written to voice their concern over the increased payroll tax.

All in all, I feel that the Congress has no alternative but to adopt the legislation before us. However, I would strongly urge that we not consider the matter of social security financing closed, but rather continue to seek to structure the payroll tax rate and wage base in a manner to lessen or hold steady rather than increase this burden in the future.

Ms. MIKULSKI. Mr. Speaker, the question of a social security system for our elderly is one of great importance to me. People have worked their entire lives, looking forward to the day when they could retire and social security would meet the basic needs of their life. Now the social security system is threatened with bankruptcy. For too many years, we have increased the benefits without adequately increasing the revenues. This year we have heard reports of doom—if something is not done the trust fund will be bankrupt in the early 1980's.

When President Carter introduced his proposal, he suggested that general revenues funds be used at times to supplement the funds. I support this idea. When unemployment is high, there are fewer people contributing to the fund. Using general revenues, in part, was a solution that I agreed with. Yet when the bill was reported from the Ways and Means and Rules Committees, there

were certain restrictions placed on amendments from the floor. Only certain predetermined amendments were allowed and there were none to allow the use of general revenue to augment the trust fund. The House bill would have allowed the trust fund to borrow from general revenues in certain circumstances, which I supported. This has been deleted by the Senate.

At that time, I weighed my vote very hard. Should I vote for the social security bill as reported from committee? My overriding concern was to insure that the elderly that retired would get the benefits that they had paid for and expected. Yet I was concerned about the increased burden on the workers and employers and the economy in general. I finally decided that the responsible vote was to vote for the increases.

Since that time, I have given this matter a lot of thought. I have had many community meetings. By far, the most discussed issue has been social security. The people in our country do not think it is a fair system. They know that there are serious inequities. They are angry. And I think with real cause. The social security system was devised in 1935; the American society and economy have changed enormously in that period of time; yet social security is based on the old assumptions.

I am voting against this conference report because I think we have used stopgap measures too long to "solve" the problems of financing. I think now is the time to do a total overhaul. We need a system whose benefits are determined by how much you pay in. People who work for 35 years and pay throughout the entire time should receive more benefits than the people who meet their minimum quota.

The Supreme Court has ruled that the allotment of benefits cannot be different for men and women. Through the actions of the Congresswoman's Caucus, there is a task force studying this now.

By vote against this conference report is not a vote against paying the retired people of this country, the benefits that are due them, but it is a vote to send the entire bill back to committee and to assure that this system is corrected.

Mr. CLEVELAND. Mr. Speaker, I intend to vote against the rule and the conference report on H.R. 9346, the Social Security Amendments of 1977, as I did against the earlier House version. When I voted against the House bill, my principal objections included a belief that the amounts of the tax rate and wage base increases were excessive and far too costly for the already overburdened American taxpayer.

Unfortunately, the conference report before us today accelerates those tax rate increases even more and retains the House-passed wage base increases except for the typically crafty—and cynical—election year maneuvering which delays the effect of that change until after the 1978 elections.

No one can argue that our social security system is in deplorable financial condition. Nor can one justifiably argue that changes are not needed. It is important

not to lose sight of the fact, however, that solutions to the deficit problem are not without their own inherent difficulties. The phenomenal tax increases imposed by this bill will depress our already shaky economy and dig deeper into taxpayers' pockets at a time when they can least afford it. They may well lead to increased speculation that our Federal Government and its attendant costs are out of control. Decreased confidence in the Government's ability to provide sound programs, such as retirement income security, is bound to occur as well.

In anticipation of these problems, in 1976, I asked the Social Security Administration to provide me with some figures on the maximum employee contribution toward social security and the total maximum accumulation of these contributions. The results are startling: An employee who earned the maximum amount of wages taxable under the social security program in each calendar year from 1937 to 1975 would have paid contributions totalling \$6,868.05 through 1975. This is taken from a chart which lists maximum contributions at the rate of 1 percent of the \$3,000 wage base in 1937, or an annual contribution of \$30, through 1975's maximum annual contribution of \$824.85 based on 5.85 percent of the wage base of \$14,000. At the same maximum total accumulation if the amount of the employee's contribution for each calendar year had been deposited at the end of the year into an account paying interest at 5 percent compounded annually. The accumulated total based on that type of arrangement would have been \$11,330.92.

The enormity of the tax hikes for middle-income Americans contained in this bill is illustrated by the fact that beginning in 1979 it will take only 3 years for a worker's taxes—based on maximum contributions—to equal if not exceed those paid by someone who had contributed the maximum amount in taxes from 1937 to 1972, a period of 35 years.

The progressively rising wage base increases, in addition, will impact not only on the rich; but, given present rates of inflation, will cut deeper and deeper into the paychecks of those with average incomes. At the same time, however, there will be a number of lower-salaried persons whose chances of receiving maximum social security retirement benefits will be reduced by the sharp increases in the wage base ceilings.

It is particularly ironic to me that the Carter administration apparently has come to its senses and agreed with congressional Republicans that tax cuts are sorely needed. Unfortunately, ramming through the social security bill will negate any ultimate significant relief that income tax reductions could provide.

Furthermore, one truly beneficial attempt to aid middle-income taxpayers with the increasingly high costs of education, namely, the Roth tuition tax credit amendment was deleted in conference although other nongermane and controversial provisions were retained. The elimination of the tuition tax credit is more than regrettable; it is a nagging sign of the Congress' insensitivity to the very real problem of inflation and the

Government's contribution to its impact on hard-working, taxpaying middle Americans.

Mr. COTTER. Mr. Speaker, as a member of the conference committee on the Social Security Financing Amendments of 1977, I rise to urge the support of my colleagues for the passage of this most important legislation.

As you know, the conferees have agreed on the largest social security tax increase in our Nation's history. In 1987, taxes for both employer and employee will be 7.35 percent on a base of \$42,900. This base will cover approximately 90 percent of the U.S. wage base.

Raising taxes is never pleasant but this much needed bill assures that both OASDI (2030), and DI (2007) will be funded until the year 2000. Over \$227 billion will be raised within the next 9 years.

There are some pleasant surprises. The conferees have agreed to keep parity between employer and employee, and have rejected the use of general revenue funding by removing both the borrowing authority which has been passed by this body, and a Senate amendment to use general revenues to assist local governments and nonprofit organizations.

We have also adopted a decoupling amendment to separate existing benefit increases from benefits of future recipients. Under the conference version, a wage replacement ratio for future beneficiaries will average 43 percent which is well below the 60 percent projected in the present law for the 1980's.

The conferees have put a freeze on the minimum benefit that has been subject to abuse by late entrants into the social security system, and, at the same time, adopted a proposal to limit a spouse's social security payment to a spouse who is receiving a State or local pension, but made this prospective and retroactive for 5 years for women; therefore it will not affect workers who are eligible for retirement.

The retirement test age will be reduced in 1982 from the present 72 to 70, and the earned income limitation has been increased as follows:

1977	-----	\$3,000
1978	-----	4,000
1979	-----	4,500
1980	-----	5,000
1981	-----	5,500
1982	-----	6,000
1983	-----	6,000

¹ Plus cost of living.

The conferees have also agreed to decrease the number of years for a spouse to be vested in social security from 20 years to 10.

One hundred and eighty-seven million dollars was given in welfare relief to the States. Connecticut will receive \$2.4 million, and a study was mandated on gender-based differences. We have disallowed social security for limited partnerships that were designed just to make partners eligible for benefits and taxed employers on tip income for social security purposes.

The income disregard level for all disabled blind persons has been increased to the same as the retirement test and finally, it was agreed to allow marriage and remarriage to all widows over 65.

I believe that we all have an obligation to our elderly, our disabled, and ourselves to see that this bill is passed before the end of this year. We must assure the beneficiaries that their checks will continue. We must remove the doubt and worry from the minds of our senior citizens who are financially dependent on this income.

Mr. Speaker, I sincerely believe that we must act, and we must act now to establish a sound financial basis which is essential to save the social security trust fund.

I strongly urge my colleagues to vote along with me to see that this is done.

As a member of the Social Security Subcommittee, I would be remiss if I did not tell my colleagues that in the early 1980's I believe both Congress and the President will act to restructure the financial base of social security. By mid-1980's when the full impact of the tax increases are felt, I believe there will be a widespread consensus to restructure the entire social security system. However, given our information to date, this is the

best legislation we could responsibly develop.

Mr. BINGHAM. Mr. Speaker, today, on the last day of the 1st session of the 96th Congress, I rise to urge my colleagues to approve the conference report on H.R. 9346, the Social Security Amendments of 1977. While there may be provisions in this complex bill which each of us dislikes, I believe the House-Senate conference committee has produced a remarkably good piece of compromise legislation which the majority of Americans can support. Enactment of the Social Security Amendments of 1977 will insure the soundness of the Social Security Trust Funds far into the future and guarantee that all beneficiaries under the system will continue to receive their social security checks. After approval of this conference report, we in Congress can be proud of what we have accomplished in this first session. If we can come to an agreement on the difficult and controversial financing problems of the social security system, then there is real hope we can effectively deal with the major issues facing resolution in the second session—energy, welfare reform, economic stimulus and employment.

Since H.R. 9346, when enacted, will affect the future of the vast majority of Americans, I want to outline the provisions in this compromise bill crafted by the House-Senate conference committee.

INCREASES IN THE TAX RATE AND WAGE BASE

The bill provides for modest increases—beyond present law—in the social security tax rate on employers and employees, but prudently waits until 1979 to begin putting them into effect.

In addition, it gradually increases—beyond present law—the wage base on which social security taxes are paid, beginning next year, so as to cover 94 percent of payroll by 1981—the system now covers about 85 percent, a drop from 92 percent of payroll covered when social security was first established. The tables below will indicate the changes in tax rates and base this section of the bill provides for:

SOCIAL SECURITY TAX RATES

(In percent)

Calendar year	Present law			Calendar year	Conference agreement				
	OASDI	HI	Total		OASI	DI	OASDI	HI	Total
Employees and employers, each:									
1977	4.95	0.90	5.85	1977	4.375	0.575	4.95	0.90	5.85
1978-80	4.95	1.10	6.05	1978	4.275	.775	5.05	1.00	6.05
1981	4.95	1.35	6.30	1979-80	4.330	.750	5.08	1.05	6.13
1982-84	4.95	1.35	6.30	1981	4.525	.825	5.35	1.30	6.65
1985	4.95	1.35	6.30	1982-84	4.575	.825	5.40	1.30	6.70
1986-89	4.95	1.50	6.45	1985	4.750	.950	5.70	1.35	7.05
1990-2010	4.95	1.50	6.45	1986-89	4.750	.950	5.70	1.45	7.15
2011 and later	5.95	1.50	7.45	1990 and later	5.100	1.100	6.20	1.45	7.65
Self-employed persons:									
1977	7.00	.90	7.90	1977	6.1850	0.8150	7.00	0.90	7.90
1978-80	7.00	1.10	8.10	1978	6.101	0.990	7.10	1.00	8.10
1981	7.00	1.35	8.35	1979-80	6.0100	1.0400	7.05	1.05	8.10
1982-84	7.00	1.35	8.35	1981	6.7625	1.2375	8.00	1.30	9.30
1985	7.00	1.35	8.35	1982-84	6.8125	1.2375	8.05	1.30	9.35
1986-89	7.00	1.50	8.50	1985	7.1250	1.4250	8.55	1.35	9.90
1990-2010	7.00	1.50	8.50	1986-89	7.1250	1.4250	8.55	1.45	10.00
2011 and later	7.00	1.50	8.50	1990 and later	7.6500	1.6500	9.30	1.45	10.75

¹ By allocation in law.

Contribution and benefit base

Calendar year	Present law
1977	\$16,500
1978	17,700
1979	18,900
1980	20,400
1981	21,900
1982	23,400
1983	24,900
1984	26,400
1985	27,900
1986	29,400
1987	31,200

¹ Estimated.

Calendar year	Conference agreement
1978	\$17,700
1979	22,900
1980	25,900
1981	29,700
1982	(¹)

¹ Automatic thereafter.

After 1981, wage base is increased in line with wage levels, as is the case under present law.

In agreeing to equal increases in the contribution and benefit base for employees, employers and the self-employed, the conferees rejected the concept of expanding the base for employers faster than for employees advocated by the Senate-passed bill and the President. I would have preferred the idea of limiting the tax burden on employees by expanding the base faster for employers, who can deduct the contributions from their business income taxes, but I can understand the concern the conferees had about the effect such a rapid increase in social security taxes would have on the business community.

The conferees accepted the provisions in the House bill regarding railroad retirement tier II. Under it, the tax base for tier II of the Railroad Retirement Act for both benefits and tax purposes would be the same as under the automatic-increase provisions of the present law and would not be affected by increases in the social security taxable wage base contained in the bill.

Also accepted by the conferees was the House provision dealing with the Pension Benefit Guaranty Corporation (PBGC). It provides that the pension insurance administered by PBGC would not be affected by the ad hoc increases in the wage base under social security. The insured pension amount would increase as it would under automatic-increase provisions of present law.

THE TAX RATE ON THE SELF-EMPLOYED

H.R. 9346 further restores the tax rate on the self-employed to its original level of 1½ times the employee rate, effective beginning in 1981. Since 1972 the rate has been frozen at 7 percent.

REALLOCATION OF FUNDS AMONG THE HI, OASI, AND DI TRUSTS

As you will note by the tables, the bill also reallocates a portion of funds from the hospital insurance (HI) trust fund to the old age, and survivors insurance (OASI) and disability insurance (DI) trust funds to help cover their short-run deficit problems. In addition, H.R. 9346 reallocates funds from the OASI to the DI trust fund which faces a more immediate financial problem than the former.

In fact, if the present law is not changed and no reallocations are made, the DI trust fund will be exhausted in 1979 and the OASI trust fund will run out in 1983. Under this reallocation provision, a total of \$10 billion in additional revenue will flow to the OASI and DI trust funds by 1983. In the meantime, implementation of various hospital cost containment programs now under active consideration by Congress will improve the financial stability of the HI trust fund.

STANDBY BORROWING AUTHORITY FROM GENERAL REVENUES DROPPED

One provision of the House-passed bill I sincerely regret the conferees dropping is the standby borrowing authority for automatic loans from general income tax revenues to the OASI and DI trust funds. These loans would be provided whenever the trust fund's assets at the end dropped below 25 percent of annual outgo. A temporary payroll social security tax rate increase was included to insure automatic repayment with interest when assets at the end of a year exceeded 30 percent of the year's outgo from the funds. This provision was of special interest to me because it moved in the direction of the concept of supplementing social security funds with general revenues on an on-going basis. I have supported this concept for years along with Congressman BURKE, the chairman of the Social Security Subcommittee and over 140 other Members of the House. A limited version of the supplementing idea was proposed earlier this year by President Carter. It is also supported by major senior citizen organizations.

I would point out to my colleagues who refuse to accept the idea of direct supplements to the trust funds from general tax revenues, that supporting a raising of social security taxes to be followed by partially offsetting cuts in income taxes—contemplated next year—is a type of indirect supplementing with general revenues.

"DECOUPLING"—MODIFICATION OF BENEFIT FORMULA

H.R. 9346 takes care of half of the existing long-range deficit in the OASI and DI trust funds by correcting an error made in the 1972 law providing automatic cost-of-living increases in social security. This law unexpectedly resulted in windfall benefits for many future retirees by overadjusting for inflation in wages and prices in the complicated 1972 benefit formula. When the automatic provisions were enacted, it was expected that future replacement rates—initial benefits as a percentage of latest earnings—would remain fairly constant.

However, current projections of the present law show that benefit levels will rise by about 50 percent more than wages over the next 75 years, with most of this increase occurring after the 1990's. So if the law is not changed, certain retirees will receive more in initial benefits than they were last paid in wages and this will lead to continued financial problems for the system. To correct this error in the 1972 law, H.R. 9346 makes several technical changes which results

in "decoupling" the system—that is, separating the procedure for granting current retirees cost-of-living increases from the method for calculating initial benefits for future retirees. Beginning in 1979, replacement rates will be stabilized in relation to wage levels. This is accomplished by "wage indexing."

Under H.R. 9346's new formula, each worker's earnings would be updated—indexed—to reflect the increases in average wages that have occurred since the earnings were paid. This adjustment would be done just prior to when the worker reaches 62, becomes disabled, or dies. Under present law, a worker's earnings are counted in actual dollar value. Earnings after age 62 or disability would be counted in actual dollar amounts; cost-of-living increases would apply beginning with age 62, disability or death—not before as under the 1972 law. The new "decoupled" benefit formula produces benefit amounts roughly 5 percent lower than estimated present-law benefits at implementation—January 1, 1979. The formula for relating maximum family benefits to primary insurance amounts (PIA's) has a similar effect. To assure that workers now approaching retirement age will not be placed at a disadvantage, a 5-year transition period is provided. A worker who reaches age 62 after 1978 and before 1984 would be guaranteed a benefit no lower than he would have received under present law as of January 1979.

PARTIALLY FREEZING THE MINIMUM BENEFIT

Regarding another windfall benefit in present law, H.R. 9346 seeks to partially freeze the minimum benefit—paid to those with the minimum required coverage—for future retirees at an amount equal to the value of the minimum benefit which will be in effect in January 1979—estimated to be about \$121. Under this compromise provision the \$121 minimum is adjusted by CPI increases beginning generally with the year in which the eligible recipient actually became entitled to benefits not before. In the case of a worker or aged widow or widower the CPI adjustments to the minimum would not begin to apply until the earlier of: First, the first year the worker or aged widow—widower—was paid part or all of the benefits to which he was entitled for that year, after application of the retirement test; second, the year of attainment of age 65. Under current law the base amount rises annually with the cost-of-living both before and after benefits are paid.

CHANGES IN THE SPECIAL MINIMUM BENEFIT

Under the bill the special minimum benefit paid to future retirees with long work records at low pay is also frozen but for the initial payment only. Under present law this benefit is equal to \$9 times the number of years of coverage a worker has in excess of 10 up to 30; thereafter it is not subject to annual cost-of-living increases. H.R. 9346 would increase the \$9 figure to \$11.50 and thus the maximum base payment from \$180 to \$230 effective 1979. It would also provide that the special minimum benefit would be kept up-to-date with future increases in

the cost-of-living for both present and future beneficiaries.

INCREASE IN THE DELAYED RETIREMENT CREDIT

I am happy to report the conferees accepted the House provision increasing the delayed retirement credit from 1 percent to 3 percent per year for workers age 62 and older effective after 1978. This means that workers who delay receiving retirement benefits between ages 65 and 72 would have their payments increased by 3 percent for each year they do not take benefits as compared with 1 percent under present law.

Also the conferees included a Senate amendment which would make the delayed retirement credit applicable to widow's and widower's insurance benefits, as well as to the worker's benefit.

INCREASE IN EARNINGS LIMITATION (RETIREMENT TEST)

H.R. 9346 also contains compromise provisions liberalizing certain aspects of social security benefits which many of us have urged for years. The most important change involves the so-called retirement test. Under present law, the amount a beneficiary under age 72 may earn in a year and still be paid full benefits for that year is set at \$3,000 with future automatic increases annually as wage levels rise. This bill would increase the set amount for those over 65 only to \$4,000 in 1978—from \$3,240 to \$4,500 in 1979—from \$3,480 and in \$500 stages annually up to \$6,000 in 1982. After that the automatic adjustment provision in present law would take over. The retirement test figure in present law would continue to apply to beneficiaries under age 65. The bill would also eliminate the present monthly measure of the retirement test which allows the payment of full social security benefits for any month in which a person earns no more than one-twelfth of the annual earnings limit—in the case of 1977 this means no more than \$250 a month, one-twelfth of \$3,000.

The conferees rejected the idea of eliminating the retirement test altogether for those 65 and older as proposed by the Ketchum amendment passed by the House without my support. I strongly feel, as do several major senior citizen organizations, that eliminating the retirement test only benefits a small percentage of social security recipients while its multi-billion dollar annual cost to the trust funds hurts the chance for enactment of much needed general benefit increases for all recipients. I am pleased the conferees dropped this unwise part of the Ketchum amendment.

The conferees also agreed to include the Senate amendment repealing the earnings limitation for individuals 70 and older. Under present law, the earnings limitation does not apply to individuals 72 and older.

STUDY OF UNIVERSAL MANDATORY COVERAGE

The House-passed bill required joint studies by the Office of Management and Budget, the Civil Service Commission, the Department of the Treasury, and the Department of Health, Education, and Welfare of mandatory coverage for Federal and State and local employees

with reports and recommendations to the President and Congress within 2 years of enactment. This provision was embodied in the Fisher amendment which overwhelmingly passed the House with my support as a substitute for going ahead with universal mandatory coverage beginning in 1982. The conference committee provision would combine the studies of mandatory coverage of employees of Federal, State, and local governments and nonprofit organizations. It would require the Secretary of Health, Education, and Welfare to conduct the study with appropriate consultation with Treasury, the Office of Management and Budget, and the Civil Service Commission.

The conferees anticipate that the study will include, in addition to the evaluation of alternative proposals, examination of the following specific items: First, analysis of any possible constitutional questions involved in extensions of coverage; second, review of the extent of State, local and nonprofit coverage under existing law; third, analysis of the economic impact on State and local governments of mandatory coverage extensions; and fourth, an analysis of the feasibility of developing a method of covering Federal employees without increasing their contributions or adversely affecting their benefit rights—except to the extent that any windfall benefit situations may be eliminated.

COVERAGE OF NONPROFIT ORGANIZATIONS

The conferees accepted a Senate amendment to: First, forgive through June 30, 1977, the social security tax liability of nonprofit organizations that stopped paying social security taxes before October 19, 1976, because they had not filed the proper certificate with the Internal Revenue Service to cover their employees under social security; second, extend the deadline for filing waiver certificates for organizations that obtained refunds prior to September 9, 1976; third, permit nonprofit organizations that paid social security taxes while waiting for the Internal Revenue Service to approve their request for tax-exempt status to receive a refund of those taxes in spite of Public Law 94-563 under which the taxes and social security coverage that resulted were validated; and fourth, not require nonprofit organizations that received a refund of social security taxes for the April-June 1973, to bring their employees under social security coverage.

REDUCED BENEFITS FOR SPOUSES RECEIVING GOVERNMENT PENSIONS

The Senate-passed bill provided that social security benefits payable to spouses and surviving spouses would be reduced by the amount of any public—Federal, State, or local—retirement benefit payable to the spouse based on the spouse's own work in noncovered public employment. The provision would have been effective with respect to benefits payable for months beginning with the month of enactment, based on applications filed in or after the month of enactment.

The House bill contained no such provision.

The conferees agreed to the Senate provisions with an exception for certain people who are already receiving pensions based on noncovered public employment—or who would be eligible for such pension within 5 years of the month of enactment—and who could have expected to receive social security benefits as dependents or survivors under the social security law as in effect on January 1, 1977. The conferees were concerned that there may be large numbers of women, especially widows in their late fifties, who are already drawing pensions, or would be eligible to draw them within 5 years of the date of enactment of this bill, based on their noncovered work and whose retirement income was planned for on the assumption of the availability of full wife's or widow's benefits under social security. Inclusion of this exception to the applicability of the Senate provision, reinforces its prospective nature and avoids penalizing people who are already retired, or close to retirement, from public employment and who cannot be expected to readjust their retirement plans to take account of the "offset" provision that will apply in the future.

ELIMINATION OF MARRIAGE OR REMARRIAGE AS A FACTOR IN ENTITLEMENT TO, OR TERMINATION OR REDUCTION OF BENEFITS

The House-passed bill provided that marriage or remarriage would not bar or terminate entitlement to benefits as a divorced spouse, surviving spouse—including those caring for an entitled child—parent, or child, and remarriage would not cause any reduction in an aged widow's or widower's insurance benefits. Also, the dependent's benefits of a person married to a disabled worker or to an adult disabled since childhood would no longer be terminated when the disability ends.

The Senate bill did not include such a provision. Conferees agreed to retain only the part of the House-passed provision that would prevent reduction in benefits for widows and widowers who remarry after age 60.

DURATION-OF-MARRIAGE REQUIREMENT

The House-passed bill provided that the length of time a person must have been married to a worker in order for benefits to be payable to her as an aged divorced spouse or surviving divorced spouse would be reduced from 20 years to 5 years.

The Senate bill did not include such a provision.

Conferees agreed instead to establish a 10-year duration-of-marriage requirement for aged divorced spouses and surviving spouses.

EQUALIZATION TREATMENT OF MEN AND WOMEN UNDER THE PROGRAM

The House-passed bill contained a number of amendments that were designed to eliminate certain gender-based distinctions from the social security program, while the Senate did not include any such provisions. I regret to say the conferees agreed to drop the House provisions with the understanding that the entire question of such gender-based distinctions would be included in the 6-month study of proposals to eliminate de-

pendency and sex discrimination provided by the bill.

NATIONAL COMMISSION ON SOCIAL SECURITY

The House had added an amendment to H.R. 9346 providing for a nine-member National Commission on the Social Security Program, appointed by the executive and legislative branches, to conduct a 2-year study including: The fiscal status and adequacy of the trust funds; the scope of coverage, adequacy of benefits, conditions of qualification for benefits—including inequities arising out of marital status, sex, or similar classifications of categories—and quality of administration; the impact of the programs on and relation to public assistance programs, nongovernmental pension insurance programs, other governmental retirement and annuity programs, medical service delivery systems and national employment practices; and alternatives to current programs including, phasing out payroll tax, using general revenues or other financing, mandatory participation in private insurance programs and choice of public or private programs or both. I voted for this amendment.

The Senate did not include a provision comparable to this in its bill.

The Senate conferees agreed to the House's Commission provision with the understanding that it would also study the need to develop a special CPI for the elderly for purposes of social security cost-of-living increases. As a long-time sponsor of such special CPI legislation, I am very pleased about this addition.

SEMIANNUAL COST-OF-LIVING INCREASES DROPPED

On a related matter which I have been advocating for years, the House conferees regretfully refused to agree to a Senate amendment providing for semiannual cost-of-living increases in social security and SSI benefits whenever the CPI increased by at least 4 percent over a specified 6-month measuring period—an annual rate of over 8 percent per year.

REPEAL OF WORKMEN'S COMPENSATION OFFSET

House conferees agreed to accept a Senate amendment repealing the provision in existing law which provides for a reduction in social security benefits for persons simultaneously entitled to workmen's compensation payments where the combined payments would otherwise exceed 80 percent of recent predisability earnings.

DISABILITY BENEFITS FOR BLIND PERSONS

The Senate-passed bill included an amendment providing for the payment of disability insurance benefits for blind people who have at least six quarters of social security coverage with the benefits paid regardless of the amount of a blind individual's earnings. This Senate provision also excluded blind persons from the requirements of present law that disability benefits be suspended for any months during which a beneficiary refuses to accept vocational rehabilitation services. The House bill contained no such provisions. As a cosponsor of legislation similar to this Senate amendment, I joined other concerned Members of the House in urging our conferees to accept this liberalization of the disability benefits law for blind persons. We feel

blind persons experience greater ongoing financial problems in seeking permanent employment than other disabled individuals, which require special consideration.

The House conferees agreed to a compromise with the Senate on this matter. The conference committee bill provides that the amount of earnings under the test of substantial gainful activity (SGA) which would terminate a blind individual's benefits would be increased to the same exempt amounts as for persons 65 and over under the liberalized retirement test in another section of the conference committee bill.

EARLY DELIVERY OF BENEFIT CHECKS

House and Senate conferees agreed to a compromise provision requiring that whenever the delivery date for payment of either social security or supplemental security income checks falls on a Saturday, Sunday, or legal public holiday, the checks would be mailed on an earlier date. Also it provided that any overpayment that occurs as a direct result of the earlier delivery of checks would be waived and would not be subjected to recovery.

OTHER SOCIAL SECURITY PROVISIONS

The conference committee bill also limits payment of retroactive benefits to only those cases where the benefits are disability-related or where there was not early retirement.

The measure would require employers of workers receiving below the minimum wage plus tips to be taxed on the portion of tip income which when combined with the workers' salary equals the minimum wage. This employers' tax obligation on tip income would be regardless of the actual amount of tips the employee reports on his or her income tax form.

H.R. 9346 would change the basis for calculating cost-of-living increases for early retirees under social security to place them on the same footing as persons who retire at age 65 or later.

The conference committee bill contains the provisions in the House-passed bill which make further changes in the law with regard to annual wage reporting by employers as a substitute for quarterly reporting. Under these provisions, employers would no longer have to check off quarters of coverage or report quarterly wages on the W-2 forms. State and local employers would continue to report on a quarterly basis but wages would be converted to annual figures. This section excludes from the definition of wages certain employment where in the pay is less than \$100 in a calendar year. Also, it changes the "quarter of coverage" definition so that after 1977 all workers would receive a quarter of coverage for each \$250 wages paid in a year—to a maximum of four quarters of coverage in a year. The amounts measuring a quarter of coverage would increase automatically each year as wages increase. Under present law, a worker receives credit for a quarter of coverage for a calendar quarter in which he received at least \$50 in wages.

The conference measure would permit clergymen who previously did not elect social security coverage a second oppor-

tunity to come under the system as self-employed persons.

The legislation also authorizes the President to enter into bilateral agreements with foreign countries to provide limited coordination of social security systems. Each such agreement would have to be transmitted to Congress together with a report on estimated cost and number of individuals affected. It could not go into effect until 90 days after both Houses had been in session. During that period an agreement could be rejected by the action of either House.

WELFARE PROVISIONS

Finally, H.R. 9346 as reported by the House-Senate conference committee includes four of the five welfare provisions added by the Senate to the House-passed bill and agreed to in amended form by the House conferees.

The first provision is of particular concern to New York State. It is a scaled down version of the immediate welfare costs fiscal relief proposal the State and its representatives have been pressing for. The amount of this one-time payment to States would be \$187 million, and States would be required to pass through an appropriate portion of this relief to the local governments who are responsible for meeting part of the costs of welfare. The \$187 million represents half of the \$374 million in fiscal relief previously approved by the Senate. There are strong indications that the remaining \$187 million will be tacked on to a welfare bill, H.R. 7200, when it comes to the Senate floor next January and subsequently approved by the House. New York State's share of the \$187 million in H.R. 9346 is estimated to be about \$28.3 million with a substantial portion—about \$18 million—to be passed through to New York City.

The other Senate welfare amendments agreed to by the conferees include: second, providing fiscal incentives for lowering aid to dependent children overpayment error rates below 4 percent by allowing States to keep part of the savings which would normally accrue to the Federal Government—New York State is not close enough to the 4-percent rate to qualify; third, allowing States access to wage information held by the Social Security Administration and State unemployment compensation offices on AFDC eligibles and recipients starting October 1979; and fourth, authorizing States for 2 years to conduct up to three AFDC welfare employment demonstration projects with voluntary participation by recipients and with the approval of the Secretary of HEW waiving certain statutory rules. A fifth Senate amendment tightening up the earned income disregard under the AFDC program was dropped by the conferees. The Carter administration and representatives from high cost-of-living States such as New York opposed the changes in the earned income disregard.

Taken as a whole, H.R. 9346 as crafted by the House and Senate conferees is an excellent bill. It has its shortcomings as I have indicated, but I strongly urge my colleagues to overlook them and vote in favor of legislation which this year will

put the social security system back on a sound financial basis. We can delay such action no longer.

CALL OF THE HOUSE

Mr. WRIGHT. Mr. Speaker, I move a call of the House.

A call of the House was ordered.

The call was taken by electronic device, and the following Members failed to respond:

[Roll No. 781]

Addabbo	Fraser	Panetta
Andrews, N.C.	Fuqua	Pettis
Andrews, N. Dak.	Gammage	Pike
Armstrong	Ginn	Poage
Ashley	Hall	Pursell
Aspin	Harkin	Quie
Badillo	Harsha	Quillen
Baucus	Hefner	Rangel
Bejell	Holtzman	Rinaldo
Bellenson	Ichord	Risenhoover
Bolling	Ireland	Rose
Bonker	Jacobs	Runnels
Breaux	Keys	Ruppe
Brodhead	Koch	Ryan
Burke, Calif.	Krebs	Santini
Burke, Fla.	LaFalce	Scheuer
Burleson, Tex.	Le Fante	Shipley
Burlison, Mo.	Lent	Shuster
Burton, John	Long, La.	Sisk
Burton, Phillip	Long, Md.	Skubitz
Carney	Lujan	Smith, Iowa
Cavanaugh	Lundine	Solarz
Cederberg	McCloskey	Stark
Chappell	McDonald	Steed
Collins, Ill.	McEwen	Symms
Conyers	McHugh	Traxler
Corman	McKinney	Tsongas
Davis	Madigan	Udall
Dent	Maguire	Van Deerin
Derwinski	Marlenee	Vander Jagt
Dickinson	Mathis	Weiss
Diggs	Meeis	Whalen
Drinan	Metcalfe	Wiggins
Fary	Mollohan	Wilson, Bob
Fisher	Moorhead, Pa.	Winn
Fithian	Murphy, N.Y.	Wolff
Foley	Myers, Michael	Yates
Ford, Tenn.	Neal	Zerfetti
Forsythe	Nix	
	Nolan	

The SPEAKER pro tempore. On this rollcall 317 Members have recorded their presence by electronic device, a quorum.

By unanimous consent, further proceedings under the call were dispensed with.

SOCIAL SECURITY AMENDMENTS OF 1977

The SPEAKER pro tempore. The Chair recognizes the gentleman from Oregon (Mr. ULLMAN).

Mr. ULLMAN. Mr. Speaker, to conclude debate, I yield the balance of the time to the distinguished Speaker of the House (Mr. O'NEILL).

Mr. O'NEILL. Mr. Speaker, how did this bill happen to come before the Congress this year? I want the Members to think about that. How did it come up?

I will tell the Members how it came up. It came up because the liberal lobby and those who are supporters of the Reagan group, the Right Wing of America, so mollified and so frightened the aged of America and the senior citizens, that each one of us who went to any meeting where the senior citizens were present were asked: Is the social security system going down the drain? Did they have something to fear? No. We assured them that they had nothing to fear. We said, "No, this Congress, the Congress of the United States, would never let the social

security system go down the drain." Why, we would go into the general fund before we would ever allow that to happen.

I think we are the only Nation in the world that does not dip into the general fund. But, interestingly, the votes are not here for that purpose.

Mr. Speaker, I want to talk to the Democratic Members of this House: 1935 was the year that social security came into existence. Do the Members know what the vote was that day? There was a vote to recommit. And the vote was 97 Republicans voted to recommit, 1 voted for the legislation. And the interesting fact about it is that the philosophy has not changed on the Republican side since 1935.

What did the social security bill do at that particular time? There used to be in America what was called the poorfarm, the poorhouse, the almshouse; and those who had no insurance, no protection, went to the almshouse, to the poorhouse, to be fed and to be harbored. And when one walked by and he looked, he said to himself, "What a disgust to America that we have homes for the poor, the aged, those who have made America great. And what do we do? We put them in a poorhouse."

But we have changed. We came up with a philosophy which changed that. We came up with the philosophy of the Social Security Act.

Mr. Speaker, there are those who have gotten up and who have talked and who have said that the bill is repressive, there is too much tax.

There are those over here who are saying it is regressive, not enough tax, we are not taxing the right people.

Mr. Speaker, the philosophy of the Democratic party has always been to help the needy, to help the downtrodden.

Sure, I have had Members come up to me and say, concerning the social security bill, "Why, I could go to an insurance company and get a policy that would be so much more equitable, and when I reach the age of 65 I can receive so much more money than through social security." That is true. All of us, with our salary, could do that. But what about the unfortunate who cannot go out and get insurance? Who rely on social security as their sole source of retirement income? These people are the object of this legislation. They are the beneficiaries of social security.

I have heard all types of figures thrown around here today. But under the new law, if you earn \$10,000 a year, 10 years from now, in 1987, you pay \$59.58 more than you do under the present bill.

If you earn \$20,000 a year in 1987, you pay \$119 more a year in tax than you do under the present bill; if you earn \$30,000 a year, you pay \$178 more a year than you do now.

On the subject of this tax, let me remind the Members that there are 33 million people on social security—1 out of every 7.

We are leaving here. We are leaving here within a matter of minutes, and there are those of us who are going to go home and visit our clubs and attend Christmas parties; we are apt to have

some fellow who makes \$50,000 a year come up to us and say, "Thanks. You made my Christmas happy because I didn't get an added tax."

But there will be those of us who may happen to talk to a senior citizen. He or she is going to come up to you and say, "What about my social security? Is it going down the drain?"

If you voted against this, you are going to say, "Well, we are going to do something about this along the line." But what a miserable Christmas that senior citizen is going to have.

I say to the Members on the Democratic side of the aisle that if I have ever seen an issue that is a Democratic issue, it is this issue. This reverts right back to that day in 1935 when the party on the other side of the aisle voted against this issue by a vote of 97 to 1. The leopard does not change its spots.

Mr. Speaker, I ask for a ye vote for the conference report.

The SPEAKER pro tempore. Without objection, the previous question is ordered on the conference report.

The was no objection.

The SPEAKER pro tempore. The question is on the conference report.

The question was taken; and the Speaker pro tempore announced that the ayes appeared to have it.

Mr. CONABLE. Mr. Speaker, on that I demand the yeas and nays.

The yeas and nays were ordered.

The vote was taken by electronic device, and there were—yeas 189, nays 163, answered "present" 1, not voting 81, as follows:

[Roll No. 782]

YEAS—189

Addabbo	Duncan, Oreg.	Krueger
Akaka	Early	LaFalce
Alexander	Eckhardt	Lederer
Ambro	Edgar	Leggett
Ammerman	Edwards, Calif.	Levitas
Anderson	Ellberg	Lloyd, Calif.
Annunzio	Emery	Lukens
Applegate	Ertel	McCormack
Ashley	Evans, Colo.	McDade
Baldus	Fascell	McFall
Barnard	Fisher	McHugh
Beard, R.I.	Flood	McKay
Benjamin	Florio	Mann
Biaggi	Flowers	Markley
Bingham	Foley	Marks
Blanchard	Ford, Mich.	Martin
Blooin	Fowler	Mattox
Boggs	Fraser	Mazzoli
Boland	Gephardt	Meyner
Bonior	Gialmo	Mikva
Brademas	Gilman	Millford
Breckinridge	Glickman	Miller, Calif.
Brodhead	Gudger	Mineta
Brooks	Hamilton	Minish
Brown, Calif.	Hanley	Mitchell, Md.
Broyhill	Hannaford	Moakley
Burke, Mass.	Harrington	Moore
Carter	Harris	Moorehead, Pa.
Chisholm	Hawkins	Murphy, Ill.
Clay	Heckler	Murphy, N.Y.
Collins, Ill.	Hefelt	Murtha
Corman	Hillis	Natcher
Cornell	Holland	Nedzi
Cornwell	Hollenbeck	Nolan
Cotter	Holtzman	Nowak
D'Amours	Howard	Oskar
Danielson	Hubbard	Oberstar
Davis	Hughes	Obey
Deaney	Jenkins	Ottenger
Dellums	Jenrette	Patten
Derrick	Johnson, Calif.	Patterson
Dicks	Jones, N.C.	Pattison
Diggs	Jones, Tenn.	Pease
Diugell	Jordan	Pepper
Dodd	Kastenmeier	Perkins
Downey	Keys	Pickle
Drinan	Kildee	Preyer
	Koestmayer	Price

Rahall	Simon	Waggonner
Rangel	Skubits	Walgren
Richmond	Solarz	Wampler
Roberts	Spellman	Waxman
Rodino	St Germain	Weaver
Roe	Staggers	Weiss
Rogers	Stark	Whitley
Roncalio	Steers	Wilson, Tex.
Rooney	Stokes	Wright
Rosenthal	Stratton	Yatron
Rostenkowski	Thompson	Young, Fla.
Roybal	Tribble	Young, Mo.
Russo	Tucker	Zablocki
Scheuer	Ullman	Zerfetti
Seiberling	Vanik	
Sharp	Vento	

NAYS—163

Abdnor	Flippo	Myers, John
Allen	Flynt	Nichols
Anderson, Ill.	Fountain	O'Brien
Andrews, N.C.	Frenzel	Pressler
Archer	Frey	Pritchard
Ashbrook	Gibbons	Quayle
AuCoin	Goldwater	Quillen
Badham	Gonzalez	Rallsback
Bafalis	Goodling	Regula
Bauman	Gore	Reuss
Beard, Tenn.	Gradison	Rhodes
Bennett	Grassley	Robinson
Bevill	Guyer	Rose
Bowen	Hagedorn	Rousselot
Brinkley	Hammer-	Rudd
Broomfield	schmidt	Sarasin
Brown, Mich.	Hansen	Satterfield
Brown, Ohio	Holt	Sawyer
Buchanan	Horton	Schroeder
Burgener	Huckaby	Schulze
Burton, John	Hyde	Sebellus
Butler	Ireland	Shuster
Byron	Jacobs	Sikes
Caputo	Jeffords	Skelton
Carr	Johnson, Colo.	Slack
Clausen.	Jones, Okla.	Smith, Nebr.
Don H.	Kasten	Snyder
Clawson, Del	Kazen	Spence
Cleveland	Kelly	Stangeland
Cochran	Kemp	Stanton
Cohen	Ketchum	Steed
Coleman	Kindness	Steiger
Collins, Tex.	Lagomarsino	Stockman
Conable	Latta	Studds
Conte	Leach	Stump
Corcoran	Lehman	Taylor
Coughlin	Livingston	Teague
Crane	Lloyd, Tenn.	Thone
Cunningham	Lott	Thornton
Daniel, Dan	McClory	Treen
Daniel, R. W.	McDonald	Vander Jagt
de la Garza	McKinney	Volkmner
Derwinski	Madigan	Walker
Devine	Mahon	Walsh
Dornan	Marriott	Watkins
Duncan, Tenn.	Michel	White
Edwards, Ala.	Mikulski	Whitehurst
Edwards, Okla.	Miller, Ohio	Whitten
English	Mitchell, N.Y.	Wilson, C. H.
Erlenborn	Montgomery	Wirth
Evans, Del.	Moore	Wylder
Evans, Ga.	Moorhead,	Wyle
Evans, Ind.	Calif.	Young, Alaska
Fenwick	Motti	Young, Tex.
Findley	Murphy, Pa.	
Fish	Myers, Gary	

ANSWERED "PRESENT"—1

Hightower

NOT VOTING—81

Andrews,	Ford, Tenn.	Metcalf
N. Dak.	Forsythe	Mollohan
Armstrong	Fuqua	Moss
Aspin	Gammage	Myers, Michael
Badillo	Gaydos	Neal
Baucus	Ginn	Nix
Bedell	Hall	Panetta
Bellenson	Harkin	Pettis
Bolling	Harsha	Pike
Bonker	Hefner	Poage
Breaux	Ichord	Purseil
Burke, Calif.	Koch	Quie
Burke, Fla.	Krebs	Rinaldo
Burleson, Tex.	Le Fante	Risenhoover
Burlison, Mo.	Lent	Runnels
Burton, Phillip	Long, La.	Ruppe
Carney	Long, Md.	Ryan
Cavanaugh	Lujan	Santini
Cederberg	Lundine	Shipley
Chappell	McCloskey	Sisk
Conyers	McEwen	Smith, Iowa
Dent	Maguire	Symms
Dickinson	Marlenee	Traxler
Fary	Mathis	Tsongas
Fithian	Meeds	Udall

Van Deerlin	Wilson, Bob	Yates
Whalen	Winn	
Wiggins	Wolf	

The Clerk announced the following pairs:

On this vote:

Mr. Hightower for, with Mr. Runnels against.

Mr. Le Fante for, with Mr. Pursell against.

Mr. Carney for, with Mr. Pike against.

Mr. Wolf for, with Mr. Cavanaugh against.

Mr. Metcalfe for, with Mr. Lundine against.

Mr. Neal for, with Mr. Santini against.

Mrs. Burke of California for, with Mr. Chappell against.

Mr. Baucus for, with Mr. Panetta against.

Mr. Traxler for, with Mr. Ginn against.

Mr. Risenhoover for, with Mr. Fuqua against.

Mr. Ford of Tennessee for, with Mr. Andrews of North Dakota against.

Mr. Conyers for, with Mr. Cederberg against.

Mr. Nix for, with Mr. Dickinson against.

Mr. Koch for, with Mr. Lent against.

Mr. Badillo for, with Mr. Marlenee against.

Mr. Meeds for, with Mr. McCloskey against.

Mr. Shipley for, with Mr. McEwen against.

Mr. Burleson of Texas for, with Mr. Ryan against.

Mr. Bellenson for, with Mr. Mollohan against.

Mr. Breaux for, with Mr. Symms against.

Mr. Moss for, with Mr. Wiggins against.

Mr. Fary for, with Mr. Winn against.

Until further notice:

Mr. Aspin with Mr. Gammage.

Mr. Bedell with Mr. Bob Wilson.

Mr. Bonker with Mr. Udall.

Mr. Burlison of Missouri with Mr. Rinaldo.

Mr. Fithian with Mr. Whalen.

Mr. Harkin with Mr. Dent.

Mr. Hefner with Mr. Harsha.

Mr. Krebs with Mr. Ichord.

Mr. Maguire with Mr. Long of Maryland.

Mr. Long of Louisiana with Mr. Lujan.

Mr. Smith of Iowa with Mr. Mathis.

Mr. Tsongas with Mr. Michael O. Myers.

Mr. Gaydos with Mr. Hall.

Mr. Sisk with Mr. Van Deerlin.

Mr. Yates with Mr. Armstrong.

Mr. Burke of Florida with Mr. Ruppe.

Mr. HIGHTOWER. Mr. Speaker, I have a live pair with the gentleman from New Mexico (Mr. RUNNELS). Had he been here, he would have voted "nay." I voted "yea." Therefore, I withdraw my "yea" and vote "present."

Mr. HIGHTOWER changed his vote from "yea" to "present."

So the conference report was agreed to. The result of the vote was announced as above recorded.

A motion to reconsider was laid on the table.

GENERAL LEAVE

Mr. ULLMAN. Mr. Speaker, I ask unanimous consent that all Members may have 5 legislative days in which to extend their remarks and include extraneous material on the conference report just agreed to.

The SPEAKER. Is there objection to the request of the gentleman from Oregon?

There was no objection.

COMMITTEE ON WAYS AND MEANS
U.S. HOUSE OF REPRESENTATIVES

SUMMARY
OF THE
CONFERENCE AGREEMENT
ON
H.R. 9346
THE SOCIAL SECURITY
AMENDMENTS OF 1977



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(II)

**SUMMARY OF THE CONFERENCE AGREEMENT ON H.R.
9346, THE SOCIAL SECURITY AMENDMENTS OF 1977**

FINANCING

The bill makes provision for strengthening both the short- and long-range financial stability of the program, including meeting the cost of the benefit improvements included in the bill. The bill provides for annual excesses of income over outgo beginning in 1980; it eliminates the medium-range deficits (over the next 25 years) and provides adequate financing well into the next century; and, it reduces the long-range deficit very substantially—from over 8 percent of taxable payroll to less than 1½ percent. Detailed information on the effects of the bill appears in the appendix. The specific tax rates and wage bases under the bill are shown below.

Tax rates.—The bill includes a schedule of social security tax rate increases over present law in 1979, 1981, 1982, 1985, and 1990 to provide additional financing. Tax rates for the self-employed would be adjusted to restore the original level of one and one-half times the employee rate for the old-age and survivors and disability portion of the tax, effective in 1981. There would be a substantial reallocation of income to the disability trust fund which would have been exhausted by the end of 1978. The tax rate schedule is as follows:

(1)

TAX RATES FOR THE OASOHI TRUST FUNDS

[In percent]

Calendar year	Present law					Conference report on H.R. 9346				
	OASI ¹	OI ¹	OASOI	HI	Total	OASI	OI	OASOI	HI	Total
EMPLOYERS AND EMPLOYEES, EACH										
1977.....	4.375	0.575	4.95	0.90	5.85	4.375	0.575	4.95	0.90	5.85
1978.....	4.350	.600	4.95	1.10	6.05	4.275	.775	5.05	1.00	6.05
1979-80.....	4.350	.600	4.95	1.10	6.05	4.330	.750	5.08	1.05	6.13
1981.....	4.300	.650	4.95	1.35	6.30	4.525	.825	5.35	1.30	6.65
1982-84.....	4.300	.650	4.95	1.35	6.30	4.575	.825	5.40	1.30	6.70
1985.....	4.300	.650	4.95	1.35	6.30	4.750	.950	5.70	1.35	7.05
1986-89.....	4.250	.700	4.95	1.50	6.45	4.750	.950	5.70	1.45	7.15
1990-2010.....	4.250	.700	4.95	1.50	6.45	5.100	1.100	6.20	1.45	7.65
2011 and later.....	5.100	.850	5.95	1.50	7.45	5.100	1.100	6.20	1.45	7.65
SELF-EMPLOYED PERSONS										
1977.....	6.185	0.815	7.0	0.90	7.9	6.1850	0.8150	7.0	0.90	7.9
1978.....	6.150	0.850	7.0	1.10	8.1	6.0100	1.6900	7.1	1.00	8.1
1979-80.....	6.150	0.850	7.0	1.10	8.1	6.0100	1.0400	7.05	1.05	8.1
1981.....	6.080	0.920	7.0	1.35	8.35	6.7625	1.2375	8.00	1.30	9.30
1982-84.....	6.080	0.920	7.0	1.35	8.35	6.8125	1.2375	8.05	1.30	9.35
1985.....	6.080	0.920	7.0	1.35	8.35	7.1250	1.4250	8.55	1.35	9.90
1986-89.....	6.010	0.990	7.0	1.5	8.5	7.1250	1.4250	8.55	1.45	10.00
1990-2010.....	6.010	0.990	7.0	1.5	8.5	7.6500	1.6500	9.30	1.45	10.75
2011 and later.....	6.000	1.000	7.0	1.5	8.5	7.6500	1.6500	9.30	1.45	10.75

¹ By allocation in the law.

Taxable wage base.—There also would be increases in the taxable wage base above present law. After 1981, the base would be increased annually in line with wage levels whenever there has been a cost-of-living benefit increase in the preceding year as under present law. The bill maintains the parity principle under which employers and employees pay on the same amount of earnings each year. This is the new taxable base schedule for employers, employees and the self-employed:

CONTRIBUTION AND BENEFIT BASE

	Under present law	Under conference agreement
Calendar year:		
1977	\$16,500	\$16,500
1978	17,700	17,700
1979	18,900	22,900
1980	20,400	25,900
1981	21,900	29,700
1982	23,400	31,800
1983	24,900	33,900
1984	26,400	36,000
1985	27,900	38,100
1986	29,400	40,200
1987	31,200	42,600

¹ Automatic.

DECOUPLING

To correct unintended effects in the benefit computation procedures which produce benefits for future beneficiaries that could vary haphazardly with wage and price fluctuations and that would generally be much higher than originally intended, the bill would “decouple” the system. The new decoupled system would index a worker’s earnings to reflect annual increases in average earnings levels up to the second year before eligibility (age 62, death or disability). This has the effect of assuring that similarly situated beneficiaries generation to generation will receive relatively the same levels of benefits. The benefit level adopted for the long-term is 5 percent below estimated 1979 levels. Included in the bill is a 5-year guarantee of 1979 levels to provide a gradual transition to the new system for workers who will retire 1979 through 1983. The transition provision will not be applicable to disability and survivor cases. As under present law, benefits would continue to be increased according to the increases in the cost-of-living after a person reaches age 62 or becomes disabled, or in the case of survivor’s benefits, after the time of the worker’s death. The “decoupling” provisions would eliminate over one-half of the long-range deficit in the social security system.

OTHER BENEFIT PROVISIONS

Minimum.—The present minimum benefit for future beneficiaries would be frozen at its January 1979 dollar amount (about \$121 for an individual). The minimum benefit would be adjusted for annual cost-of-living increases only after the individual starts receiving it.

Special minimum.—This benefit, provided for long-term, low-paid workers, would be increased. Under present law this benefit is equal to \$9 times the number of years coverage a worker has in excess of 10 and up to 30; this benefit is not subject to annual cost-of-living increases. The bill would revive this benefit by increasing the \$9 figure

to \$11.50, which would provide a maximum payment of \$230 a month, and by making the benefit subject to annual cost-of-living increases in the future.

Delayed retirement credit.—Present law provides that retirement benefits are increased 1 percent a year for each year that a worker continues to work beyond age 65 without taking his benefits. The bill would increase this to 3 percent; it would apply beginning in 1982. It would also be made applicable to widows and widowers.

Limitation on retroactive benefits.—Under present law a person who files an application after he is first eligible can get benefits for a retroactive period up to 12 months before the month in which the application is filed. However, this could result in some cases in a permanent reduction in his monthly benefit. The bill would eliminate retroactive payments where the result would be a permanently reduced benefit.

Cost-of-living increases for early retirees.—The bill would change the basis for calculating cost-of-living increases for early social security retirees to place them on the same footing as persons who retire at age 65 or later. Under present law, an early retiree who begins receiving benefits between ages 62 and 65 has his monthly payment permanently reduced on an actuarial basis to take account of the longer period that he would receive benefits on the average. However, when a cost-of-living increase is effective after he attains age 65, the early retiree receives this as if he were drawing a full benefit and not an actuarially reduced benefit. The bill would apply to cost-of-living increases for early retirees the same actuarial reduction that is applied to their original monthly benefit.

RETIREMENT TEST

The bill would raise to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and \$6,000 in 1982 the annual amount of earnings a beneficiary, age 65 or over, may have without having any benefits withheld. After 1982, the limitation would be adjusted automatically on the basis of earnings levels in line with present law. The retirement figure of present law, which is to rise from \$3,000 this year to \$3,240 in 1978, would continue to apply to beneficiaries under age 65.

The exempt age, which fixes the point at which elderly individuals may receive full benefits without regard to their earnings, would be reduced from 72 to 70 beginning in 1982.

The bill would eliminate the monthly measure of retirement—the provision in present law under which full social security benefits are paid for any month in which a person earns one-twelfth of the annual retirement test amount, or less, regardless of total earnings for the year. However, the monthly measure would be retained for the first year in which a worker begins to receive retirement benefits.

TREATMENT OF MEN AND WOMEN

Under the bill, remarriage would not act to reduce benefits of widows and widowers 60 years of age or older.

The duration of marriage requirement for divorced spouse's benefits would be reduced from 20 years to 10.

The Secretary of Health, Education, and Welfare is directed to conduct a study of changes in the social security program needed to guarantee that women, as well as men, are treated equitably. The study is to be completed and a report submitted to Congress within 6 months after enactment of the legislation.

DEPENDENCY BENEFITS—PUBLIC PENSION OFFSET

The bill contains an offset provision under which social security dependency benefits payable to spouses or surviving spouses would be reduced (dollar for dollar) by the amount of any public (Federal, State, or local) retirement available to the spouse. The offset would apply only to pension payments based on the spouse's own work in public employment which is not covered under social security. The provision would apply to applications for such dependency benefits in and after the month of enactment of the bill.

The measure contains an exception under which the offset provision would not apply to people who were receiving or will be eligible to receive a public pension within 5 years after enactment. This is to protect those persons who were expecting a social security dependency benefit based on their spouse's record but were not receiving it because of their age or the fact that their spouses were not yet receiving benefits.

NATIONAL COMMISSION ON SOCIAL SECURITY

The bill provides for establishment of a bipartisan National Commission on Social Security, independent of the executive branch, composed of nine members—five appointed by the President and two each by the Speaker of the House and the President of the Senate—to make a broad study of the social security program including medicare. The study would include the fiscal status of the trust funds, coverage, adequacy of benefits, possible inequities, alternatives to the current programs and to the method of financing the system, integration of the social security system with private retirement programs, and development of a special price index for the elderly. The Commission would present its full report to the President and to the Congress within 2 years after a majority of the members were appointed.

UNIVERSAL COVERAGE

The bill provides for a comprehensive study of the question of instituting universal coverage for social security by bringing under the system on a mandatory basis all Federal employees, and the remainder of State and local government employees and employees of nonprofit organizations not now covered by the system. The study would include alternative methods of coordinating social security coverage with retirement systems which now apply to the public employees involved. The study would be under the direction of the Secretary of Health, Education, and Welfare who would consult with the Secretary of the Treasury, the Director of the Office of Management and Budget, and the Chairman of the Civil Service Commission. The HEW Secretary is directed to complete the study and submit a report with recommendations to the President and to Congress within 2 years after enactment of the bill.

INTERNATIONAL SOCIAL SECURITY AGREEMENTS (TOTALIZATION)

Included in the bill is a provision, the International Social Security Agreements Act, which would authorize the President to enter into bilateral agreements with interested countries providing for limited coordination of the U.S. social security system with systems of other countries. The agreements, known as totalization agreements, would eliminate dual social security coverage for the same work in each country covered by an agreement, and would enable individuals who work for periods in each of the countries covered by an agreement to qualify for a dual benefit in situations where they now are not eligible for benefits in one or both of the countries involved. The United States already has negotiated agreements with Italy and West Germany which could be put into effect under this provision. Each agreement would have to be submitted to Congress for 90 days while it is in session before it could take effect; during that period either the House or Senate could veto the agreement by majority vote.

BLIND DISABILITY BENEFITS

Blind persons would be eligible for social security disability benefits despite higher earnings than now are permitted. Under present regulation's, substantial gainful activity (SGA) is measured at \$200 a month (\$2,400 a year) and earnings over this amount would lead to termination or suspension of benefits. Under the bill, the SGA monthly amount for blind disability beneficiaries would be the same as the retirement test for persons age 65 and over.

INVESTMENT INCOME UNDER LIMITED PARTNERSHIPS

In recent years, a growing number of businesses have advertised limited partnerships as a means of acquiring social security coverage solely through the income on investments in such partnerships. The bill excludes from social security coverage the distributive share of income or loss from the trade or business of a partnership which is received by a limited partner.

ANNUAL WAGE REPORTING

Public Law 94-202 enacted in 1976 provided that employers other than State and local governments and employers of domestic workers would report their employees' wages for social security and income tax purposes annually on forms W-2 beginning with wages paid in 1978. But the law also required employers to report quarterly wage data on forms W-2 to enable the Social Security Administration to determine whether a worker has enough quarters of coverage to be eligible for social security benefits. The bill would change this so that annual data would be used instead of quarterly data. Under the bill, employers no longer would have to report quarterly data on forms W-2.

Under present law, a worker generally receives credit for a quarter of coverage for a calendar quarter in which he receives at least \$50 in wages. Under the bill, a worker would receive one quarter of coverage (up to a total of four) for each \$250 of earnings in a year, and the \$250 amount would be automatically increased every year to take account of increases in average wages.

EMPLOYEES OF NONPROFIT ORGANIZATIONS

The bill contains provisions designed to correct some unintended effects of Public Law 94-563 enacted in 1976 to deal with problems of nonprofit organizations that had been paying social security taxes illegally because they had not filed the necessary waivers with the Internal Revenue Service to make the payments legal.

One provision in the bill would forgive back taxes due, up to June 30, 1977, on behalf of nonprofit organizations which ceased paying social security taxes after they had found they were not required to do so, but did not receive a refund of these taxes.

Another provision would extend to March 31, 1978, the period during which nonprofit organizations that had received a refund of social security taxes could file a waiver certificate and list only those employees who had wanted to be covered under social security. Under this waiver, they would owe back taxes only on the listed employees. The right to file such a waiver under Public Law 94-563 expired April 18, 1977.

Another provision would provide a refund of back taxes to nonprofit organizations that stopped paying social security taxes before October 1, 1976, but then paid the back taxes after they were requested to do so following passage of Public Law 94-563.

TAXATION OF CORPORATIONS

The bill provides that a group of related corporations concurrently employing a worker would be considered as a single employer if one of the group serves as a common paymaster for the entire group. This would mean that the group of corporations would have to pay no more in social security and unemployment taxes for a single worker than a single employer pays.

OTHER SOCIAL SECURITY PROVISIONS

Quadrennial Advisory Council on Social Security.—The bill would change the reporting date for the Advisory Council to be appointed in 1977 from January 1, 1979, to October 1, 1979.

Administrative law judges.—Public Law 94-202 established temporary administrative law judge positions to hear social security, medicare, and supplemental security income cases. The bill would convert these appointments to permanent status.

Benefit payment dates.—The bill provides that social security and supplemental security income benefit checks would be delivered on the preceding Friday if the regular payment date falls on a Monday which is a legal holiday.

Coverage of tips.—Under social security, tip income (if over \$20 a month) is taxed on the employee alone. Under the bill, the employer will be taxed on tip income up to the amount that combined with the employee's salary equals the minimum wage under the Fair Labor Standards Act.

Clergymen.—The bill would permit clergymen who previously did not elect social security coverage in the past a second opportunity to come under the system as self-employed persons.

Mississippi policemen and firemen.—The bill would authorize social security coverage for Mississippi policemen and firemen who previously were excluded from the system.

Wisconsin public employees.—The bill would authorize a consolidated public employee group in Wisconsin to continue under social security on the same terms which applied to three groups before they were merged into the consolidated organization.

New Jersey public employees.—The bill would add New Jersey to the list of States which are permitted to hold referendums among public employees for coverage under social security. Those voting for coverage would be brought under social security; those voting against would remain out of the system. All future employees would be covered.

Illinois police and fire chiefs.—The bill would allow approximately 400 Illinois police and fire chiefs to get credits for past payments into the social security system (and future coverage) even though the applicable law did not permit such payments when they were made.

Railroad retirement system and Pension Benefit Guaranty Corporation.—The bill contains a provision to guarantee that the new social security financing provisions that increase the taxable earnings base would not increase the employer tax liability to finance tier-II benefits under the railroad retirement system. Tier-II benefits are those paid to supplement the tier-I payments which correspond to basic social security benefits. Similarly, the bill provides that the increases in the earnings base would not increase the maximum amount of pension insured by the Pension Benefit Guaranty Corporation established under the Employee Retirement Income Security Act of 1974.

Wheelchairs.—The bill would permit payment for certain power-operated wheelchairs under medicare where the vehicle is determined to be medically necessary and safe.

PUBLIC ASSISTANCE AMENDMENTS

Fiscal relief for State and local welfare costs.—The bill would provide \$187 million of such relief to be paid immediately for fiscal 1978 costs.

Error rates in the aid to families with dependent children program.—The bill would establish a system of monetary fiscal incentives for States which have low dollar error rates in the AFDC program. The errors considered as a part of this provision would be overpayments to ineligible, underpayments, and erroneous denials and terminations.

Access by AFDC agencies to wage records.—The bill would authorize State AFDC agencies to obtain Social Security Administration and State unemployment compensation agency wage data for purposes of determining eligibility for AFDC or the amount of an AFDC payment with appropriate safeguards to be established by HEW.

State welfare demonstration projects.—The bill would authorize States to engage in demonstration projects related to the AFDC program. There would be public notices of each plan and copies of the plan available to the public. The Health, Education, and Welfare Department would review each plan and could prevent its implementation by withholding approval. The prevailing wage would have to be paid in the projects.

Errors in supplemental security income supplementary payments.—The bill directs the HEW Secretary to reimburse the States for erroneous state supplemental payments paid during 1974 to the extent that an HEW audit determines is appropriate and after the audit is approved and reviewed by the HEW inspector general.

NON-SOCIAL SECURITY ACT AMENDMENT

Honoraria under the Federal Election Campaign Act.—Under this act, Federal officers including Members of Congress and employees cannot accept an honorarium of more than \$2,000 or honoraria aggregating more than \$25,000 in a year. The bill provides that a contribution to a charitable organization selected by the payor from a list of five or more organizations named by the Government officer or employee shall not be counted as an honorarium. In addition, the bill provides that amounts returned to a payor before the end of a year would not be treated as honoraria and that honoraria would be treated as accepted in the year of receipt.

APPENDIX

TABLE 1.—ESTIMATED AMOUNT OF CHANGES IN OASDI BENEFIT PAYMENTS WHICH WOULD RESULT FROM THE HOUSE-SENATE CONFERENCE AGREEMENTS ON H.R. 9346, CALENDAR YEARS 1978-83

[In millions of dollars]

	1978	1979	1980	1981	1982	1983
Total amount of change in benefit payments.....	-440	-492	-844	-1,446	-1,696	-2,577
Decoupling (net total).....	-70	-351	-803	-1,473	-1,473	-2,377
Wage-indexing formula.....	-94	-423	-895	-1,563	-1,563	-2,466
5-year transition guarantee.....	24	79	118	150	150	180
Frozen minimum benefit.....			-7	-26	-60	-106
3-percent delayed retirement credit.....						15
Changes in retirement test (net total).....	54	266	359	404	895	981
Increases in exempt amount ¹	267	491	585	640	709	762
Reduction in exempt age from 72 to 70 in 1982.....					403	441
Elimination of monthly measure.....	-213	-225	-226	-236	-217	-222
Establish the retirement test exempt amount for beneficiaries aged 65 and over as a measure of substantial gainful activity for blind disabled workers.....		1	1	1	2	2
Elimination of retroactive payments of actuarially reduced benefits.....	-339	-536	-550	-559	-565	-569
Limitation on increases in actuarially reduced benefits.....	-90	-280	-500	-751	-948	-1,157
Increase in benefits of surviving spouses, resulting from deceased workers' delayed retirement credits.....	3	4	5	7	10	13
Delayed retirement credits for workers with actuarially reduced benefits.....		14	22	24	26	30
Offset to benefits of spouses receiving public retirement pensions.....	-68	-106	-108	-110	-112	-116
Eliminate reduction in widowed spouses benefits due to remarriage after age 60.....		130	155	166	178	189
Reduction in duration of marriage required for divorced spouses benefits from 20 years to 10 years.....		67	80	86	92	98
Increase in special minimum benefits.....		12	14	14	15	16
Changes in annual wage reporting provisions.....	(²)	1	4	9	18	26
Authorization to enter into totalization agreements ³	(²)	5	4	4	5	6
Increases in contribution and benefit base.....		(²)	21	62	161	281

¹ Exempt amount increased for beneficiaries aged 65 and over to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and \$6,000 in 1982.

² Less than \$500,000.

³ The estimates represent additional OASDI benefit payments that would result from implementation of totalization agreements already signed with Italy and West Germany. No agreement can become effective if either House of Congress disapproves the agreement within 90 days after it is submitted to Congress.

Note: A positive figure represents additional benefit payments, and a negative figure represents a reduction in benefit payments.

TABLE 2.—ADDITIONAL CONTRIBUTION INCOME RESULTING FROM CONFERENCE AGREEMENTS ON
H.R. 9346, CALENDAR YEARS 1978-83

Calendar year	Increase in contribution and benefit base	Reallocation of tax rates between OASDI and HI	Increase in OASDI self- employment tax rates to 1½ times employee rate	Increase in tax rates	Total ¹
OASDI:					
1978		1.6			1.7
1979	4.0	1.1		1.5	6.6
1980	6.3	1.1		1.8	9.2
1981	8.0	1.2	0.2	8.1	17.6
1982	8.8	1.3	.8	10.3	21.3
1983	9.4	1.4	.9	11.1	22.9
HI:					
1978		-1.6			-1.6
1979	.9	-1.1			-.2
1980	1.4	-1.1			.2
1981	2.1	-1.2			.9
1982	2.4	-1.3			1.0
1983	2.5	-1.4			1.1
OASDHI:					
1978					(²)
1979	4.9			1.5	6.4
1980	7.6			1.8	9.4
1981	10.1		.2	8.1	18.4
1982	11.2		.8	10.3	22.4
1983	11.9		.9	11.1	23.9

¹ Includes relatively small amounts of additional taxes payable by employers on employees' income from tips and reduction in taxes due to the provision on totalization agreements.

² Amount is less than \$50,000,000.

TABLE 3.—ESTIMATED OPERATIONS OF THE OASI AND DI TRUST FUNDS, COMBINED, UNDER THE PROGRAM AS
MODIFIED BY THE CONFERENCE AGREEMENTS ON H.R. 9346, CALENDAR YEARS 1977-87

[Dollar amounts in billions]

Calendar year	Income	Outgo	Net increase in fund
1977	\$82.1	\$87.6	-\$5.5
1978	92.4	97.2	-4.8
1979	106.5	106.9	-.4
1980	119.1	117.1	2.0
1981	137.1	127.4	9.6
1982	150.2	138.3	11.9
1983	161.3	149.2	12.1
1984	172.9	161.2	11.7
1985	194.2	174.0	20.1
1986	209.0	187.6	21.4
1987	223.7	202.0	21.7
	Funds at end of year	Fund at beginning of year as a percentage of outgo during year	Fund at end of year as a percentage of outgo during year
1977	\$35.6	47	41
1978	30.8	37	32
1979	30.4	29	28
1980	32.4	26	28
1981	42.0	25	33
1982	53.9	30	39
1983	66.0	36	44
1984	77.7	41	48
1985	97.9	45	56
1986	119.3	52	64
1987	141.0	59	70

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees' report.

TABLE 4.—ESTIMATED OPERATIONS OF THE OASI TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE CONFERENCE AGREEMENTS ON H.R. 9346, CALENDAR YEARS 1977-87

[Dollar amounts in billions]

Calendar year	Income	Outgo	Net increase in fund
1977.....	\$72.5	\$75.6	-\$3.1
1978.....	78.6	83.6	-5.0
1979.....	90.8	91.6	-.8
1980.....	101.5	100.0	1.5
1981.....	116.0	108.4	7.5
1982.....	127.2	117.4	9.7
1983.....	136.6	126.3	10.3
1984.....	146.4	136.0	10.5
1985.....	162.0	146.4	15.7
1986.....	174.1	157.3	16.8
1987.....	186.3	168.9	17.4

	Funds at end of year	Fund at beginning of year as a percentage of outgo during year	Fund at end of year as a percentage of outgo during year
1977.....	\$32.3	47	43
1978.....	27.3	39	33
1979.....	26.5	30	29
1980.....	28.0	26	28
1981.....	35.6	26	33
1982.....	45.3	30	39
1983.....	55.6	36	44
1984.....	66.1	41	49
1985.....	81.7	45	56
1986.....	98.5	52	63
1987.....	115.9	58	69

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

TABLE 5.—ESTIMATED OPERATIONS OF THE DI TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE CONFERENCE AGREEMENTS ON H.R. 9346, CALENDAR YEARS 1977-87

[Dollar amounts in billions]

Calendar year	Income	Outgo	Net increase in fund
1977.....	\$9.6	\$12.0	-\$2.4
1978.....	13.8	13.7	.2
1979.....	15.7	15.3	.4
1980.....	17.6	17.1	.5
1981.....	21.1	19.0	2.1
1982.....	23.0	20.9	2.1
1983.....	24.7	22.9	1.8
1984.....	26.5	25.2	1.3
1985.....	32.1	27.7	4.5
1986.....	34.9	30.3	4.6
1987.....	37.4	33.1	4.3

	Funds at end of year	Fund at beginning of year as a percentage of outgo during year	Fund at end of year as a percentage of outgo during year
1977.....	\$3.3	48	27
1978.....	3.5	24	25
1979.....	3.9	23	26
1980.....	4.4	23	25
1981.....	6.5	23	34
1982.....	8.6	31	41
1983.....	10.4	38	45
1984.....	11.6	41	46
1985.....	16.1	42	58
1986.....	20.8	53	69
1987.....	25.1	63	76

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

TABLE 6.—ESTIMATED OPERATIONS OF THE HI TRUST FUND UNDER THE PROGRAM AS MODIFIED BY THE CONFERENCE AGREEMENTS ON H.R. 9346, CALENDAR YEARS 1977-87

[Dollar amounts in billions]

Calendar year	Income	Outgo	Net increase in fund
1977	\$16.1	\$16.2	—\$0.1
1978	19.2	19.0	.2
1979	23.1	22.2	.9
1980	25.7	25.7	(1)
1981	34.0	29.7	4.3
1982	37.1	33.9	3.3
1983	39.7	38.5	1.2
1984	42.3	43.7	—1.4
1985	46.3	49.1	—2.8
1986	52.4	54.9	—2.5
1987	55.8	61.2	—5.4

	Fund at end of year	Fund at beginning of year as a percentage of outgo during year	Fund at end of year as a percentage of outgo during year
1977	\$10.5	66	65
1978	10.7	55	56
1979	11.6	48	52
1980	11.5	45	45
1981	15.9	39	53
1982	19.1	47	56
1983	20.3	50	53
1984	19.0	47	43
1985	16.1	39	33
1986	13.6	29	25
1987	8.2	22	13

¹ Outgo exceeds income by less than \$50 million.

Note: The above estimates are based on the intermediate set of assumptions shown in the 1977 trustees report.

TABLE 7.—CHANGE IN ACTUARIAL BALANCE OF THE OASDI PROGRAM OVER THE LONG-RANGE PERIOD (1977-2051) AS A RESULT OF CHANGE INCLUDED IN THE CONFERENCE COMMITTEE BILL

[Percentage of payroll costs; preliminary estimates]

Description of item	OASI	DI	Total
Cost of social security system under present law	15.51	3.68	19.19
Balance under present law	—6.06	—2.14	—8.20
Changes of the bill:			
Wage-indexed decoupling	3.19	.95	4.13
5 percent reduction in benefit level	.53	.13	.66
Freeze minimum at 1978 level (including change in special minimum)	.07	.02	.08
Government pension offset	.04	—	.04
Retirement test	— .11	—	— .11
Delayed retirement credit (including DRC for widows)	— .06	—	— .06
Marriage/remarriage effect after age 60	— .01	—	— .01
No retroactive benefit actuarially reduced benefits	.01	—	.01
Actuarial reduction applied to general benefit increase	.24	—	.24
Miscellaneous ¹	—	—	—
Annual reporting of earnings	— .01	—	— .01
Total net effect of benefit changes	3.88	1.09	4.97
Change wage base	.45	.08	.54
Self-employed tax rate to 1½ times employee tax rate	.08	.02	.10
Tax schedule	.57	.57	1.14
Total net effect of financing changes (including wage base)	1.11	.67	1.78
Total net cost effect	4.98	1.75	6.74
Balance under conference committee bill	—1.08	— .38	—1.46

¹ Includes change in SGA definition for blind, employer tax on tips deemed to be wages, provision on limited partnership coverage, tax relief for affiliated corporations, reduction of 20-yr marriage requirement to 10 yr for certain beneficiaries.

Note: Based on the intermediate set of assumptions shown in the 1977 Trustees Report.

TABLE 8.—SOCIAL SECURITY (OASDHI) TAX RATE, WAGE BASE LEVELS AND CONTRIBUTIONS UNDER PRESENT LAW AND UNDER H.R. 9346 AGREED TO IN CONFERENCE

	OASDHI tax rates (percent)		Wage base		\$10,000 wage earner			\$20,000 wage earner			Maximum wage earner		
	Present law	H.R. 9346	Present law	H.R. 9346	Present law	H.R. 9346	Increase	Present law	H.R. 9346	Increase	Present law	H.R. 9346	Increase
1977	5.85	5.85	\$16,500	\$16,500	\$585	\$585	-----	\$965.25	\$965.25	-----	\$965.25	\$965.25	-----
1978	6.05	6.05	17,700	17,700	605	605	-----	1,070.85	1,070.85	-----	1,070.85	1,070.85	-----
1979	6.05	6.13	18,900	22,900	605	613	\$8	1,143.45	1,226.00	\$82.55	1,143.45	1,403.77	\$260.32
1980	6.05	6.13	20,400	25,900	605	613	8	1,210.00	1,226.00	16.00	1,234.20	1,587.67	353.47
1981	6.30	6.65	21,900	29,700	630	665	35	1,260.00	1,330.00	70.00	1,379.70	1,975.05	595.35
1982	6.30	6.70	23,400	31,800	630	670	40	1,260.00	1,340.00	80.00	1,474.20	2,130.60	656.40
1983	6.30	6.70	24,900	33,900	630	670	40	1,260.00	1,340.00	80.00	1,568.70	2,271.30	702.60
1984	6.30	6.70	26,400	36,000	630	670	40	1,260.00	1,340.00	80.00	1,663.20	2,412.00	748.80
1985	6.30	7.05	27,900	38,100	630	705	75	1,260.00	1,410.00	150.00	1,757.70	2,686.05	928.35
1986	6.45	7.15	29,400	40,200	645	715	70	1,290.00	1,430.00	140.00	1,896.30	2,874.30	978.00
1987	6.45	7.15	31,200	42,600	645	715	70	1,290.00	1,430.00	140.00	2,012.40	3,045.90	1,033.50

LEGISLATIVE REPORT

FROM THE
DIRECTOR,
OFFICE OF PROGRAM EVALUATION
AND PLANNING
SOCIAL SECURITY
ADMINISTRATION

Number 17

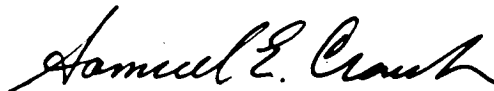
December 16, 1977

SOCIAL SECURITY AMENDMENTS OF 1977

On December 15 the Congress passed and sent to the President H.R. 9346, the "Social Security Amendments of 1977."

H.R. 9346 would make a number of very significant and far-reaching changes in the social security program. The bill stabilizes social security benefit levels in relation to wage levels (with cost-of-living increases after age 62, disability, or death) and restores the financial soundness of the program in the near term and well into the next century. The bill also liberalizes the earnings test and makes a number of other changes in the social security program and in the SSI and AFDC programs as well.

Enclosed is a summary of the provisions of the bill.



Samuel E. Crouch
Director
Office of Program Evaluation and Planning

Enclosure

H.R. 9346: THE SOCIAL SECURITY AMENDMENTS OF 1977

SUMMARY OF PROVISIONS

- I. Social Security Cash Benefits Provisions
 - A. Decoupling
 - B. Minimum and Special Minimum Benefits
 - C. Retirement Test
 - D. Annual Reporting
 - E. Coverage Provisions
 - F. Other Cash Benefit Provisions
- II. Social Security Financing Provisions
- III. Councils, Commissions, and Studies
- IV. Other Social Security Act Amendments

I. SOCIAL SECURITY CASH BENEFITS PROVISIONS

A. DECOUPLING

The "decoupling" provision of H.R. 9346 would assure that, in the future, social security benefits at the time a worker becomes disabled or reaches age 62 (and survivors benefits, at the time the worker dies) would fully reflect changes in wage levels over the person's working lifetime and would bear a relatively constant relationship to preretirement wages. Under present law, projections of future benefits for current workers are highly dependent upon projections of future rates of increases in wages and prices and, as a result, could increase more rapidly or more slowly than average wages generally. (This is because benefits for current and future retirees are adjusted for increases in the cost of living as measured by the CPI and benefits for future retirees also reflect (at least in part) increases in general wage levels.) Under current economic projections, future replacement rates--benefits as a percentage of preretirement earnings--under present law are expected to rise substantially faster than average wages in the future.

In order to assure that future social security benefit levels would be stabilized in relation to future wage levels, the bill would provide for basic changes in the way average earnings and social security benefit amounts would be figured in the future. A major feature of the plan is that the worker's earnings (and the benefit formula) would be indexed to reflect the change in wage levels that has occurred during his working lifetime. As a result, benefits would be based on the worker's relative earnings position over his working lifetime. After a worker becomes eligible for benefits, as under present law, the benefits would be kept up to date with increases in prices. These changes would reduce the long-range financial deficit by more than half.

The specific provisions of the new decoupled benefit structure are described below:

1. Wage indexing of earnings

A worker's earnings would be updated (indexed) to just prior to the year the worker reaches age 62, becomes disabled, or dies and would reflect the increases in average wages that have occurred since the earnings were paid. The worker's earnings would be indexed by multiplying his actual earnings by the ratio of average wages in the second year before he reaches age 62, becomes disabled, or dies to the average wages in the year being updated. For example, if a worker earned \$3,000 in 1956, and retired at age 62 in 1979, the \$3,000 would be multiplied by the ratio of average annual wages in 1977 (\$10,002) to average annual wages in 1956 (\$3,514), as follows:

$$\begin{array}{r} \$3,000 \times \frac{\$10,002}{\$3,514} = \$8,539 \end{array}$$

Thus, while the worker's actual earnings for 1956 were \$3,000, his

relative or indexed earnings would be \$8,539. The worker's earnings each year would be adjusted in this manner.

Earnings after age 62 or disability would be counted at actual dollar value (i.e., unindexed) and substituted for earlier years of indexed earnings if they would increase the worker's average indexed monthly earnings and his benefit. The provisions are similar to those under present law.

2. Computation period

Under the bill, as under present law, benefits would be based on a worker's earnings averaged over the number of years after 1950 (or age 21, if later) up to the year he reaches age 62, becomes disabled, or dies, whichever occurs first (excluding 5 years of lowest indexed earnings or no earnings). The computation period would expand from 23 years for those reaching age 62 in 1979, up to 35 years for those reaching age 62 in 1991 or later. (Pre-1951 earnings could continue to be used but only under "present-law" computation provisions.)

3. Benefit formula and maximum family benefit formula

The bill would establish a benefit formula for relating the worker's indexed earnings to a primary insurance amount (PIA). The benefit formula would reproduce roughly the same relative weighting as the present-law formula but would result in benefit levels that are approximately 5 percent lower than the present-law level when the new system becomes effective (January 1979). (Of course, transitional provisions, as discussed below, would protect those then reaching age 62.) The benefit formula would be adjusted automatically in the future as earnings levels rise to maintain the relative weighting in the formula.

The formula for relating maximum family benefits to PIA's would roughly maintain the relationship between PIA's and maximum family benefits that exists under present law. This benefit formula would also be adjusted in the future as earnings levels rise.

4. Transition

In order to provide a degree of protection for workers nearing retirement when decoupling is implemented a worker who reaches age 62 after 1978 and before 1984 would be guaranteed a retirement benefit no lower than he would have received under present law as of January 1979. For purposes of this provision, the January 1979 benefit table would not be subject to future automatic benefit increases, but an individual's retirement benefits would be subject to all cost-of-living increases in benefits beginning with age 62. The guarantee would not apply in disability and death cases.

5. Effective date of decoupling

The new benefit structure would be effective for those who reach age 62, become eligible for disability benefits, or die in 1979 or later. (Present law would remain in effect for workers eligible before 1979.)

6. Three percent delayed-retirement credit

A closely related provision, to strengthen work incentives under the decoupled system, would increase the delayed retirement credit. For workers reaching age 62 after 1978, the delayed retirement credit, now 1-percent per year (1/12 of 1-percent per month) for months from age 65 up to age 72 for which benefits are not paid, would be increased to 3-percent per year (1/4 of 1-percent per month). (For workers eligible for retirement benefits before 1979, the current 1-percent per year credit would continue to apply.)

In addition, unlike present law, the credit for nonpayment months after age 65 would apply to workers who had received benefits for months before age 65.

Effective January 1979. (However, since workers reaching age 62 in 1979 will not reach age 65 until 1982, this provision will have relatively little effect before 1983.)

B. MINIMUM AND SPECIAL MINIMUM BENEFITS

1. Freeze the minimum benefit

The minimum benefit for future beneficiaries would be frozen at an amount equal to the minimum benefit in effect in January 1979 (estimated to be about \$121). Benefits based on the minimum would be kept up to date with increases in the cost of living (as measured by the Consumer Price Index) beginning with the year the person becomes entitled to benefits. However, for workers and aged widows and widowers, benefits based on the minimum would be kept up to date after the earlier of: (a) the first year the worker or aged widow (widower) was paid part or all of the benefits to which he was entitled for that year, after application of the retirement test; or (b) the year of attainment of age 65.

Effective January 1979.

2. Increase in special minimum benefit

Under present law, a special minimum benefit is provided for long-term, low-paid workers equal to \$9.00 times the number of years of coverage a worker has in excess of 10 and up to 30; the special minimum benefit is not subject to cost-of-living increases under the automatic adjustment provisions. Under the bill, the \$9.00 figure under present law would be increased to \$11.50 and the special minimum would be kept up to date with future increases in the cost of living for both present

and future beneficiaries. The highest possible special minimum would be increased from \$180 to \$230 in 1979.

Effective January 1979.

C. RETIREMENT TEST

1. Raise annual exempt amount

The annual exempt amount (\$3,000 in 1977) would be increased for beneficiaries age 65 and over to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and to \$6,000 in 1982. After 1982, the \$6,000 level would be increased automatically as wage levels rise. The annual exempt amounts in those years for beneficiaries under age 65 would be determined under present law--that is they would be increased automatically as wage levels rise. (The exempt amount would be \$3,240 in 1978 and is expected to be \$3,480 in 1979, \$3,720 in 1980, \$3,960 in 1981, and \$4,200 in 1982.)

Effective for taxable years ending after 1977.

2. Eliminate monthly measure

The bill would eliminate the retirement test monthly measure in present law under which a beneficiary who does not earn over the monthly exemption (\$250 in 1977) or render substantial services in self-employment in a month receives a benefit for that month regardless of the level of his annual earnings. However the monthly measure would be retained in the first year in which a beneficiary is both entitled to benefits and has a month in which he does not earn over the monthly measure or does not render substantial services in self-employment.

Effective for benefits payable for months after December 1977.

3. Age at which test no longer applies

The age at which the retirement test no longer applies would be lowered from 72 to 70.

Effective for taxable years ending after 1981.

D. ANNUAL REPORTING

Implementation of the annual wage reporting system beginning with wages paid in 1978 would be simplified so that employers would no longer have to report quarterly wage data on the Forms W-2. Under the present provisions of law, employers are required to report quarterly wage data on the Forms W-2 so that quarters of coverage can be determined. The bill would change the quarter-of-coverage measure and certain automatic adjustment provisions of the law so that annual data could be used, instead of quarterly data. Under the bill, a worker would receive one quarter of

coverage (up to a total of four) for each \$250 of earnings paid in a year (instead of for each calendar quarter in which he is paid at least \$50) and the \$250 measure would be automatically increased every year to take account of increases in average wages.

Effective January 1, 1978.

E. COVERAGE PROVISIONS

1. Totalization agreements

The President would be authorized to enter into bilateral agreements with foreign countries to provide for limited coordination of social security systems. In general, the agreements would be designed to provide (1) for the combining of earnings credits from the United States and a foreign country for purposes of determining insured status and benefit amounts, and (2) for the elimination of dual coverage of the same work under the social security systems of the two countries party to the agreement. Under an agreement each country would pay only a part of the benefit computed on the basis of combined credits; the amount of the benefit paid would be the proportion of the totalized benefit attributable to the work performed in the paying country. Each such agreement would have to be transmitted to Congress with a report on the estimated cost and number of individuals affected and could not go into effect until 90 days after both Houses of Congress had been in session, during which period the agreement could be rejected by passage of a simple resolution by either House.

Effective upon enactment.

2. Limited partnership income

The distributive share of income or loss from the trade or business of a partnership which is received by a limited partner who performs no service for the partnership would be excluded from social security coverage. Under present law, a partner's share of partnership income is includable in his net earnings from self-employment irrespective of the nature of his membership in the partnership.

Effective for taxable years beginning after December 31, 1977.

3. Employer taxes on tips

Employers would be required to pay social security taxes on tips deemed to be wages under the Federal minimum wage law. Under that law an employer can pay an employee up to 50 percent less than the Federal minimum wage by counting as wages for this purpose tips received by the employee. (Since, under present law, there is no employer social security tax liability on

on tips received by their employees, employers do not now pay this tax on tips deemed to be wages under the Federal minimum wage law.)

Effective for tips that are counted as wages under the minimum wage law with respect to employment performed after December 31, 1977.

4. Coverage for clergymen

A clergyman who filed an application for exemption from social security coverage in the past would be permitted to revoke his exemption and obtain social security coverage. (Under present law an exemption from coverage received by a clergyman is irrevocable.) The revocation would have to be filed before the due date of the clergyman's Federal income tax return for his first taxable year beginning after the date of enactment.

Coverage would be effective for the clergyman's first taxable year ending on or after enactment or beginning after enactment (whichever is specified in the application) and effective for benefits payable for months in or after the calendar year in which the application is filed.

5. Coverage of certain Illinois policemen and firemen

Illinois would be permitted, by modification of its coverage agreement with the Secretary, to provide social security coverage at any time before 1979 for certain policemen and firemen who were in positions covered under the Illinois Municipal Retirement Fund. Any wages erroneously reported in the past for such policemen and firemen would be validated.

Effective upon enactment.

6. Coverage of policemen and firemen in Mississippi

Mississippi would be added to the list of States in the law which may provide social security coverage for policemen and firemen who are in positions covered under a State or local retirement system.

Effective upon enactment.

7. Coverage of State and local employees in New Jersey

New Jersey would be added to the list of States in the law which may make social security coverage available to State and local employees under the divided-retirement-system procedure. Under this procedure, coverage may be extended to only those present employees in positions under a retirement system who desire it, with all future employees being covered automatically.

Effective upon enactment.

8. Coverage of employees under Wisconsin retirement system

A special provision in the social security law which applies to State and local employees in positions under the Wisconsin Retirement Fund would apply to any successor retirement system of that Fund. Under the special provision, no employee referendum approving extension of coverage would be needed in order for Wisconsin to extend coverage to groups who are newly covered under a successor system to the Fund.

Effective upon enactment.

9. Coverage of nonprofit organizations

Legislation enacted last year (P.L. 94-563) resulted in large retroactive social security tax liabilities for some nonprofit organizations. The bill would eliminate the retroactive liability for those organizations and permit tax refunds if the retroactive taxes were paid after P.L. 94-563 was enacted. Also, employees of such organizations whose social security coverage would be affected would be permitted to individually elect retroactive coverage providing that both the employer and employee taxes are paid.

Further, the date by which an organization that received a refund prior to September 9, 1976, could file a waiver certificate would be extended to April 1, 1978. Also, the bill would provide for a refund of social security taxes for nonprofit organizations that paid them while waiting for the Internal Revenue Service to approve their requests for tax exempt status. (Such refunds are precluded under present law.) Lastly, organizations that received a refund of social security taxes for periods before April 1, 1973, (rather than July 1, 1973, as under present law) would not be required to bring their employees under social security coverage.

Effective upon enactment.

F. OTHER CASH BENEFIT PROVISIONS

1. Reduced benefits for spouses receiving government pensions

Social security benefits payable to spouses--including surviving spouses--would be reduced by the amount of any governmental (Federal, State, or local) retirement benefit payable to the spouse based on his or her own earnings in noncovered employment.

Under a so-called "exception" clause, the provision would not apply to those who (1) were getting, or were immediately eligible for, pensions from noncovered employment within the 5-year period beginning with the month of enactment and (2) at the time of entitlement or filing date, could qualify for social security benefits if the law as in effect, and as being administered, in January 1977 remained in effect.

Further, under a separability clause, if the exception clause is found invalid by the courts, the pension offset would not be affected and the application of the exception clause would not be broadened to include persons or circumstances not included within it.

Effective for month of enactment based on applications filed in or after month of enactment.

2. Actuarial reduction of benefit increases to be applied as of time of original entitlement

Under the automatic cost-of-living benefit increase provisions, people receiving actuarially reduced benefits generally receive benefit increases in their reduced benefits which are slightly larger than the percentage increase in the cost of living. This occurs because the percentage increase is applied not to the actual benefit amount but to the PIA. The bill would modify the cost-of-living increase mechanism so that all people on the rolls at the time of an increase would receive the same percentage increase in their actual benefit amounts.

The provision would be effective for benefit increases after December 1977.

3. Delayed retirement credits for surviving spouses

The delayed retirement credit (currently 1-percent a year) that workers receive under present law would also be payable to their surviving spouses receiving widows or widowers benefits. (In the future, surviving spouses of workers entitled to the 3 percent delayed retirement credit (section I.A.6, above) would also receive the increased credits.)

Effective for months after May 1978.

4. Duration-of-marriage requirement

The duration-of-marriage requirement for entitlement to benefits as an older divorced wife or surviving divorced wife would be decreased from 20 years to 10 years.

Effective for months after December 1978.

5. Remarriage of widows and widowers

Remarriage of a surviving spouse after age 60 would not reduce the amount of widows or widowers benefits.

Effective with respect to benefits for months after December 1978.

6. Tax liability of related corporations concurrently employing individuals

Where an employee is concurrently employed by two or more related corporations and is paid through a common paymaster (which is one of the corporations), the bill would provide that for purposes of determining employer social security and unemployment insurance tax liability, such related corporations would be treated as if they were a single employer.

The provision would be effective with respect to wages paid after December 31, 1978.

7. Limitation on retroactive social security benefits

Persons are now permitted to elect to receive benefits for up to 12 months prior to the month in which they file an application. If such months are months prior to age 65, benefits are actuarially reduced. The bill would eliminate retroactive benefits where permanently reduced benefits would occur (except in cases where the benefits were disability-related or where unreduced dependent's benefits were involved).

Effective with applications filed on or after January 1, 1978.

8. Disability benefits for the blind

A disabled blind individual would not be considered to have engaged in substantial gainful activity--which would result in termination (or suspension for those age 55 or over) of benefits--on the basis of earnings which do not exceed an amount equal to the monthly earnings limitation amount (\$333.33 in 1978, higher in subsequent years) that applies to individuals aged 65 and older.

Effective for months after December 1977.

9. Earlier delivery of benefits checks

More timely delivery of social security and SSI checks would be assured when the usual delivery date for these checks falls on a weekend or legal holiday. When this occurs, checks would be mailed earlier, even if this required the mailing to take place in the preceding month. Any overpayment that occurs as a direct result of the earlier delivery would be waived and would not be subject to recovery.

Effective for checks regularly scheduled for delivery on or after the 30th day after enactment.

10. Temporary administrative law judges

Certain temporary administrative law judges, generally at the GS-14 level, (appointed at the GS-13 level several years ago to hear SSI claims) would be given permanent appointments as GS-15 administrative law judges under the Administrative Procedure Act.

Effective upon enactment.

II. FINANCING

H.R. 9346 would substantially reduce the projected 1978 and 1979 annual deficits in the cash benefit program and provide for excesses of income over expenditures starting in 1980. During the remainder of this century, the trust funds would grow relative to annual expenditures, and the program would be soundly financed until well into the next century. Over the long range, the bill would reduce the long-range deficit of more than 8 percent of taxable payroll to less than 1.5 percent of taxable payroll. All of this remaining long-range deficit would occur in the next century.

Social security tax rates and bases under the bill are shown in Table 1. The tax-rate schedule for the self-employed represents a restoration of the self-employment tax rate to its original level of one and a half times the employee rate. The bill also would increase the allocation of OASDI income to the DI trust fund so that both the old-age and survivors insurance and the disability insurance parts of the program would be soundly financed through the end of the century. Reallocation of part of previously scheduled increases in HI tax rates to OASDI is also provided for in light of the additional income to the HI program resulting from the higher contribution and benefit bases under the bill.

Examples of social security taxes for workers at various earnings levels under present law and under the bill are shown in Table 2. The bill does not provide for any additional over-all social security tax increases in 1978. Also, in subsequent years, the additional taxes provided in the bill would impact primarily on the 15 percent of covered workers who have earnings in excess of the level of the present contribution and benefit base; for workers at average and low wage levels the tax increases are considerably lower.

Also attached are: Table 3--estimated amounts of changes in OASDI benefit payments resulting from enactment of H.R. 9346; Table 4--progress of the combined OASDI trust funds under H.R. 9346, 1977-1987; and Table 5--change in long-range actuarial balance in the OASDI program resulting from enactment of H.R. 9346.

III. COUNCILS, COMMISSIONS, AND STUDIES

A. Advisory Council on Social Security

The reporting date of the next statutory Advisory Council on Social Security would be extended by 9 months--to October 1, 1979.

B. National Commission on Social Security

A National Commission on Social Security to be jointly appointed by the President and Congress would make a broad-scale, comprehensive study of the social security program including Medicare. The study would include the fiscal status of the trust funds, coverage, adequacy of benefits, possible inequities, alternatives to the current programs and to the method of financing the system, integration of the social security system with private retirement programs, and development of a special price index for the elderly.

The Commission would be required to submit its final report 2 years after a majority of the members were appointed.

C. Study of proposals to eliminate dependency and sex discrimination under the social security program

The Secretary of Health, Education, and Welfare, in consultation with the Justice Department Task Force on Sex Discrimination, would be required to study and report on proposals to eliminate dependency as a factor in the determination of entitlement to spouse's benefits under the social security program, and proposals to bring about equal treatment of men and women under the program.

The study is due within 6 months of enactment.

D. Study of mandatory coverage

The Secretary of Health, Education, and Welfare would be required to undertake a study and report on mandatory coverage of employees of Federal, State, and local governments and of nonprofit organizations in consultation with the Office of Management and Budget, the Civil Service Commission, and the Department of the Treasury. The study would examine the feasibility and desirability of coverage of these employees and would include alternative methods of coverage, alternatives to coverage, and an analysis, under each alternative, of the structural changes which would be required in retirement systems and the impact on retirement system benefits and contributions for affected individuals.

The report, to be made to the President and the Congress, would be due within 2 years after enactment.

IV. OTHER SOCIAL SECURITY ACT AMENDMENTS

A. Reimbursement for erroneous State supplemental payments

The Secretary of Health, Education, and Welfare would be authorized and directed to reimburse the States for certain erroneous State-administered State supplementary payments paid during 1974. Reimbursement would be limited to such payments that an HEW audit finds to be incorrect due to the States' good-faith reliance on information furnished to the States by the Department or incorrect SSI payments made by the Department.

B. Fiscal relief for State and local welfare costs

The amendments would provide additional Federal funding of \$187 million to States and political subdivisions as fiscal relief from the costs of welfare for FY 1978. Each State would receive a share of that total on the basis of a two-part formula. Half of the fiscal relief funds would be distributed in proportion to each State's share of the total AFDC expenditures for December 1976, and half under the general revenue sharing formula.

In States where local units of government are responsible for meeting part of the costs of the AFDC program, the fiscal relief payments would be passed through to the respective political subdivisions to the extent of their welfare expenditures.

The payment of the additional Federal funds would be made as early after enactment as is administratively feasible.

C. Financial incentives for lowering AFDC error rates

A program of financial incentives would be established as part of the AFDC quality control program with the purpose of encouraging States to reduce their error rates with respect to incorrect eligibility determinations (including nonpayments to eligible families due to erroneous terminations or denials), overpayments, and underpayments.

States which have total dollar error rates for overpayments, underpayments, payments to ineligible, and nonpayment to eligibles of less than 4 percent would receive a percentage of the Federal share of the money saved, as compared with estimated Federal costs of a 4-percent dollar error rate for overpayments and payments to ineligible. The percentage by which States would share in the Federal savings would range from 10 percent, if a State had total dollar error rate of less than 4 percent but not less than 3.5 percent, up to 50 percent, for error rates below 2 percent.

Effective beginning January 1, 1978.

D. Access to wage information

Under present regulations, information concerning AFDC recipients can be made available to States and political subdivisions for purposes of administering the AFDC program. The bill would provide statutory requirements that the States have access to earnings information in records maintained by the Social Security Administration and by State employment security agencies whenever such information is needed to administer the AFDC program. The information would be obtained by a search of wage records and would identify the fact and amount of earnings and the identity of the employer in the case of individuals who are receiving AFDC at the time the earnings were received.

Beginning October 1, 1979, the States would be required to request and use the earnings information. The Secretary of HEW would be authorized to establish safeguards against improper disclosure of the wage information.

E. State demonstration projects

The bill would broaden the provisions of the present law relating to State demonstration projects, particularly with regard to projects of employment for AFDC recipients (whose participation is voluntary). The provision is intended to encourage demonstration projects designed to find ways to make employment more attractive for public assistance recipients.

The provision would limit States to not more than three demonstration projects--only one statewide project and none lasting for more than 2 years. All authority for the projects would end on September 30, 1980.

The States could request waiver of any or all of the following requirements of the AFDC program: (1) statewideness; (2) administration by a single State agency; (3) the earned income disregard; and (4) the work incentive program. In order to establish a project, States would be required to make application to the Secretary, given public notice of the application for a project, and receive public comment on any submitted application. The Secretary is given 60 days to disapprove a State's application for a project, during which time the Secretary must also provide for public notice and public comment.

Costs of the projects are eligible for the same Federal matching as other AFDC costs, with the limitation that the amount matchable with respect to any participant in the project cannot exceed the amount which would otherwise be payable to him under AFDC. Therefore, no increased Federal expenditures are expected to be incurred from this provision. The States must provide project participants with the prevailing hourly wage for similar work in the locality.

Effective upon enactment.

F. Medicare coverage of devices serving the same purpose as a wheelchair

The definition of durable medical equipment under the Medicare supplementary medical insurance program is expanded to include a power-operated vehicle that may be appropriately used as a wheelchair. The vehicle must be medically necessary and meet safety requirements prescribed by the Secretary.

Effective upon enactment.

Social Security Financing
under Present Law and H.R. 9346

Tax Rates (in percent)

Years	Employees and Employers, Each						Self-Employed					
	Present Law			H.R. 9346			Present Law			H.R. 9346		
	OASDI	HI	Total	OASDI	HI	Total	OASDI	HI	Total	OASDI	HI	Total
1977	4.95	0.90	5.85	4.95	0.90	5.85	7.00	0.90	7.90	7.00	0.90	7.90
1978	4.95	1.10	6.05	5.05	1.00	6.05	7.00	1.10	8.10	7.10	1.00	8.10
1979-80	4.95	1.10	6.05	5.08	1.05	6.13	7.00	1.10	8.10	7.05	1.05	8.10
1981	4.95	1.35	6.30	5.35	1.30	6.65	7.00	1.35	8.35	8.00	1.30	9.30
1982-84	4.95	1.35	6.30	5.40	1.30	6.70	7.00	1.35	8.35	8.05	1.30	9.35
1985	4.95	1.35	6.30	5.70	1.35	7.05	7.00	1.35	8.35	8.55	1.35	9.90
1986-89	4.95	1.50	6.45	5.70	1.45	7.15	7.00	1.50	8.50	8.55	1.45	10.00
1990-2010	4.95	1.50	6.45	6.20	1.45	7.65	7.00	1.50	8.50	9.30	1.45	10.75
2011 and after	5.95	1.50	7.45	6.20	1.45	7.65	7.00	1.50	8.50	9.30	1.45	10.75

Contribution and Benefit Bases

Years	Present Law ^{1/}	H.R. 9346
1978	\$17,700	\$17,700
1979	18,900	22,900
1980	20,400	25,900
1981	21,900	29,700
1982	23,400	<u>2/</u>

^{1/} Amounts produced under automatic provisions of the law.

^{2/} Automatically adjusted after 1981.

Table 1

12/14/77

Table 2

SOCIAL SECURITY (OASDHI) TAX RATE, WAGE BASE LEVELS AND CONTRIBUTIONS UNDER PRESENT LAW AND UNDER H.R. 9346

Year	OASDHI tax rate (percent)		Wage base		\$10,000 wage earner			\$20,000 wage earner			Maximum wage earner		
	Present law	H.R. 9346	Present Law	H.R. 9346	Present Law	H.R. 9346	Increase	Present Law	H.R. 9346	Increase	Present Law	H.R. 9346	Increase
1977	5.85	5.85	\$16,500	\$16,500	\$585	\$585	—	\$ 965.25	\$ 965.25	—	\$ 965.25	\$ 965.25	—
1978	6.05	6.05	17,700	17,700	605	605	—	1070.85	1070.85	—	1070.85	1070.85	—
1979	6.05	6.13	18,900	22,900	605	613	\$8	1143.45	1226.00	\$82.55	1143.45	1403.77	\$260.32
1980	6.05	6.13	20,400	25,900	605	613	8	1210.00	1226.00	16.00	1234.20	1587.67	353.47
1981	6.30	6.65	21,900	29,700	630	665	35	1260.00	1330.00	70.00	1379.70	1975.05	595.35
1982	6.30	6.70	23,400	31,800	630	670	40	1260.00	1340.00	80.00	1474.20	2130.60	656.40
1983	6.30	6.70	24,900	33,900	630	670	40	1260.00	1340.00	80.00	1568.70	2271.30	702.60
1984	6.30	6.70	26,400	36,000	630	670	40	1260.00	1340.00	80.00	1663.20	2412.00	748.80
1985	6.30	7.05	27,900	38,100	630	705	75	1260.00	1410.00	150.00	1757.70	2686.05	928.35
1986	6.45	7.15	29,400	40,200	645	715	70	1290.00	1430.00	140.00	1896.30	2874.30	978.00
1987	6.45	7.15	31,200	42,600	645	715	70	1290.00	1430.00	140.00	2012.40	3045.90	1033.50

Estimated amount of changes in OASDI benefit payments that would result under H.R. 9346, calendar years 1978-83 (in millions)

	Calendar year					
	1978	1979	1980	1981	1982	1983
Total amount of change in benefit payments.....	<u>-5440</u>	<u>-5492</u>	<u>-5844</u>	<u>-51,446</u>	<u>-51,696</u>	<u>-52,577</u>
Decoupling--net total.....	<u>---</u>	<u>-70</u>	<u>-351</u>	<u>-803</u>	<u>-1,473</u>	<u>-2,377</u>
Wage-indexing formula.....	---	-94	-423	-895	-1,563	-2,466
Five-year transition guarantee.....	---	24	79	118	150	180
Frozen minimum benefit.....	---	---	-7	-26	-60	-106
Three-percent delayed retirement credit.....	---	---	---	---	---	15
Changes in retirement test--net total.....	<u>54</u>	<u>-266</u>	<u>359</u>	<u>404</u>	<u>895</u>	<u>981</u>
Increases in exempt amount ^{1/}	267	491	585	640	709	762
Reduction in exempt age from 72 to 70 in 1982.....	---	---	---	---	403	441
Elimination of monthly measure.....	-213	-225	-226	-236	-217	-222
Establish the retirement test exempt amount for beneficiaries aged 65 and over as a measure of substantial gainful activity for blind disabled workers.....	---	1	1	1	2	2
Elimination of retroactive payments of actuarially reduced benefits.....	-339	-536	-550	-559	-565	-569
Limitation on increases in actuarially reduced benefits.....	-90	-280	-500	-751	-948	-1,157
Increase in benefits of surviving spouses, resulting from deceased workers' delayed retirement credits.....	3	4	5	7	10	13
Delayed retirement credits for workers with actuarially reduced benefits.....	---	14	22	24	26	30
Offset to benefits of spouses receiving public retirement pensions.....	-68	-106	-108	-110	-112	-116
Eliminate reduction in widowed spouses benefits due to remarriage after age 60.....	---	130	155	166	178	189
Reduction in duration of marriage required for divorced spouses benefits from 20 years to 10 years.....	---	67	80	86	92	98
Increase in special minimum benefits.....	---	12	14	14	15	16
Changes in annual wage reporting provisions.....	(3/)	1	4	9	18	26
Authorization to enter into totalization agreements ^{2/}	(3/)	5	4	4	5	6
Increases in contribution and benefit base.....	---	(3/)	21	62	161	281

^{1/} Exempt amount increased for beneficiaries aged 65 and over to \$4,000 in 1978, \$4,500 in 1979, \$5,000 in 1980, \$5,500 in 1981, and \$6,000 in 1982.

^{2/} The estimates represent additional OASDI benefit payments that would result from implementation of totalization agreements already signed with Italy and West Germany. No agreement can become effective if either House of Congress disapproves the agreement within 90 days after it is submitted to Congress.

^{3/} Less than \$500,000.

Note.--A positive figure represents additional benefit payments,
and a negative figure represents a reduction in benefit payments.

Social Security Administration
Office of the Actuary
December 14, 1977

Table 4

OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE

OASDI Program, Modified by H.R. 9346

Estimated operations of the OASI and DI trust funds, combined, under the program as modified by the conference agreements on H.R. 9346, calendar years 1977-87

(In billions)

Calendar year	Income	Outgo	Net increase in funds
1977	\$82.1	\$87.6	-\$5.5
1978	92.4	97.2	-4.8
1979	106.5	106.9	-.4
1980	119.1	117.1	2.0
1981	137.1	127.4	9.6
1982	150.2	138.3	11.9
1983	161.3	149.2	12.1
1984	172.9	161.2	11.7
1985	194.2	174.0	20.1
1986	209.0	187.6	21.4
1987	223.7	202.0	21.7

	Funds at end of year	Funds at beginning of year as a percentage of outgo during year	Funds at end of year as a percentage of outgo during year
1977	\$35.6	47%	41%
1978	30.8	37	32
1979	30.4	29	28
1980	32.4	26	28
1981	42.0	25	33
1982	53.9	30	39
1983	66.0	36	44
1984	77.7	41	48
1985	97.9	45	56
1986	119.3	52	64
1987	141.0	59	70

Note.--The above estimates are based on the intermediate set of assumptions shown in the 1977 Trustees Report.

Social Security Administration
Office of the Actuary
December 15, 1977

CHANGES IN ACTUARIAL BALANCE OF THE OASDI PROGRAM
OVER THE LONG-RANGE PERIOD (1977-2051)

Table 5

(Percentage of payroll costs: preliminary estimates)

Description of Item	OASI	DI	Total
Cost of social security system under present law	15.51	3.68	19.19
Balance under present law	<u>-6.06</u>	<u>-2.14</u>	<u>-8.20</u>
Changes of the bill:			
Wage-indexed decoupling	3.19	.95	4.13
5 percent reduction in benefit level..	.53	.13	.66
Freeze minimum at 1978 level (including change in special minimum) .....	.07	.02	.08
Government pension offset .....	.04	—	.04
Retirement test	-.11	—	-.11
Delayed retirement credit (including DRC for widows)	-.06	—	-.06
Marriage/remarriage effect after age 60	-.01	—	-.01
No retroactive benefit actuarially reduced benefits .....	.01	—	.01
Actuarial reduction applied to general benefit increase .....	.24	—	.24
Miscellaneous 1/.....	—	—	—
Annual reporting of earnings	<u>-.01</u>	<u>—</u>	<u>.01</u>
Total net effect of benefit changes.	<u>3.88</u>	<u>1.09</u>	<u>4.97</u>
Change wage base .....	.45	.08	.54
Self-employed tax rate to 1½ times employee tax rate .....	.08	.02	.10
Tax schedule	<u>.57</u>	<u>.57</u>	<u>1.14</u>
Total net effect of financing changes (including wage base).....	<u>1.11</u>	<u>.67</u>	<u>1.78</u>
Total net cost effect	<u>4.98</u>	<u>1.75</u>	<u>6.74</u>
Balance under bill.....	-1.08	-.38	-1.46

1/ Includes change in SGA definition for blind, employer tax on tips deemed to be wages, provision on limited partnership coverage, tax relief for affiliated corporations, reduction of 20-year marriage requirements to 10 years for certain beneficiaries.

NOTE: Totals may not add due to rounding.
Based on intermediate set of assumptions shown in the 1977 Trustees Report.

