

## Public Law 86-778

September 13, 1960  
[H. R. 12580]

## AN ACT

To extend and improve coverage under the Federal Old-Age, Survivors, and Disability Insurance System and to remove hardships and inequities, improve the financing of the trust funds, and provide disability benefits to additional individuals under such system; to provide grants to States for medical care for aged individuals of low income; to amend the public assistance and maternal and child welfare provisions of the Social Security Act; to improve the unemployment compensation provisions of such Act; and for other purposes.

Social Security  
Amendments of  
1960.

*Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled*, That this Act, divided into titles and sections according to the following table of contents, may be cited as the "Social Security Amendments of 1960".

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## TITLE I—COVERAGE

## EXTENSION OF TIME FOR MINISTERS TO ELECT COVERAGE

26 USC 1402.

SEC. 101. (a) Clause (B) of section 1402(e)(2) of the Internal Revenue Code of 1954 (relating to time for filing waiver certificate) is amended by striking out "1956" and inserting in lieu thereof "1959".

*Post*, p. 927.

(b) Section 1402(e)(3) of such Code (relating to effective date of certificate) is amended to read as follows:

"(3) (A) EFFECTIVE DATE OF CERTIFICATE.—A certificate filed pursuant to this subsection shall be effective for the taxable year immediately preceding the earliest taxable year for which, at the time the certificate is filed, the period for filing a return (including any extension thereof) has not expired, and for all succeeding taxable years. An election made pursuant to this subsection shall be irrevocable.

"(B) Notwithstanding the first sentence of subparagraph (A), if an individual filed a certificate on or before the date of enactment of this subparagraph which (but for this subparagraph) is effective only for the first taxable year ending after 1956 and all succeeding taxable years, such certificate shall be effective for his first taxable year ending after 1955 and all succeeding taxable years if—

"(i) such individual files a supplemental certificate after the date of enactment of this subparagraph and on or before April 15, 1962,

26 USC 1401.

"(ii) the tax under section 1401 in respect of all such individual's self-employment income (except for underpayments of tax attributable to errors made in good faith) for his first taxable year ending after 1955 is paid on or before April 15, 1962, and

"(iii) in any case where refund has been made of any such tax which (but for this subparagraph) is an overpayment, the amount refunded (including any interest paid under section 6611) is repaid on or before April 15, 1962.

26 USC 6611.

26 USC 6401.

The provisions of section 6401 shall not apply to any payment or repayment described in this subparagraph."

(c) Section 1402(e) of such Code is further amended by adding at the end thereof the following new paragraph:

26 USC 1402.

"(5) OPTIONAL PROVISION FOR CERTAIN CERTIFICATES FILED ON OR BEFORE APRIL 15, 1962.—In any case where an individual has derived earnings, in any taxable year ending after 1954 and before 1960, from the performance of service described in subsection (c) (4), or in subsection (c) (5) (as in effect prior to the enactment of this paragraph) insofar as it related to the performance of service by an individual in the exercise of his profession as a Christian Science practitioner, and has reported such earnings as self-employment income on a return filed on or before the date of the enactment of this paragraph and on or before the due date prescribed for filing such return (including any extension thereof)—

"(A) a certificate filed by such individual (or a fiduciary acting for such individual or his estate, or his survivor within the meaning of section 205(c) (1) (C) of the Social Security Act) after the date of the enactment of this paragraph and on or before April 15, 1962, may be effective, at the election of the person filing such certificate, for the first taxable year ending after 1954 and before 1960 for which such a return was filed, and for all succeeding taxable years, rather than for the period prescribed in paragraph (3), and

42 USC 405.

"(B) a certificate filed by such individual on or before the date of the enactment of this paragraph which (but for this subparagraph) is ineffective for the first taxable year ending after 1954 and before 1959 for which such a return was filed shall be effective for such first taxable year, and for all succeeding taxable years, provided a supplemental certificate is filed by such individual (or a fiduciary acting for such individual or his estate, or his survivor within the meaning of section 205(c) (1) (C) of the Social Security Act) after the date of the enactment of this paragraph and on or before April 15, 1962,

but only if—

"(i) the tax under section 1401 in respect of all such individual's self-employment income (except for underpayments of tax attributable to errors made in good faith), for each such year ending before 1960 in the case of a certificate described in subparagraph (A) or for each such year ending before 1959 in the case of a certificate described in subparagraph (B), is paid on or before April 15, 1962, and

26 USC 1401.

"(ii) in any case where refund has been made of any such tax which (but for this paragraph) is an overpayment, the amount refunded (including any interest paid under section 6611) is repaid on or before April 15, 1962.

The provisions of section 6401 shall not apply to any payment or repayment described in this paragraph."

(d) In the case of a certificate or supplemental certificate filed pursuant to section 1402(e) (3) (B) or (5) of the Internal Revenue Code of 1954—

Supra.

(1) for purposes of computing interest, the due date for the payment of the tax under section 1401 which is due for any taxable year ending before 1959 solely by reason of the filing of a certificate which is effective under such section 1402(e) (3) (B) or (5) shall be April 15, 1962;



(2) the statutory period for the assessment of any tax for any such year which is attributable to the filing of such certificate shall not expire before the expiration of 3 years from such due date; and

26 USC 6651.

(3) for purposes of section 6651 of such Code (relating to addition to tax for failure to file tax return), the amount of tax required to be shown on the return shall not include such tax under section 1401.

26 USC 1401.

Post, p. 933.

(e) The provisions of section 205(c)(5)(F) of the Social Security Act, insofar as they prohibit inclusion in the records of the Secretary of Health, Education, and Welfare of self-employment income for a taxable year when the return or statement including such income is filed after the time limitation following such taxable year, shall not be applicable to earnings which are derived in any taxable year ending before 1960 and which constitute self-employment income solely by reason of the filing of a certificate which is effective under section 1402(e)(3)(B) or (5) of the Internal Revenue Code of 1954.

Ante, pp. 926, 927.

26 USC 1402.

42 USC 401 et seq.

(f) The amendments made by this section shall be applicable (except as otherwise specifically indicated therein) only with respect to certificates (and supplemental certificates) filed pursuant to section 1402(e) of the Internal Revenue Code of 1954 after the date of the enactment of this Act; except that no monthly benefits under title II of the Social Security Act for the month in which this Act is enacted or any prior month shall be payable or increased by reason of such amendments, and no lump-sum death payment under such title shall be payable or increased by reason of such amendments in the case of any individual who died prior to the date of the enactment of this Act.

#### STATE AND LOCAL GOVERNMENTAL EMPLOYEES

##### Delegation by Governor of Certification Functions

42 USC 418.

SEC. 102. (a) (1) Section 218(d)(3) of the Social Security Act is amended by inserting ", or an official of the State designated by him for the purpose," after "the governor of the State".

(2) Section 218(d)(7) of such Act is amended by inserting "(or an official of the State designated by him for the purpose)" after "by the governor", and by inserting "(or the official so designated)" after "if the governor".

##### Employees Transferred From One Retirement System to Another

(b) (1) Section 218(d)(6)(C) of the Social Security Act is further amended by adding at the end thereof the following new sentence: "If, in the case of a separate retirement system which is deemed to exist by reason of subparagraph (A) and which has been divided into two divisions or parts pursuant to the first sentence of this subparagraph, individuals become members of such system by reason of action taken by a political subdivision after coverage under an agreement under this section has been extended to the division or part thereof composed of positions of individuals who desire such coverage, the positions of such individuals who become members of such retirement system by reason of the action so taken shall be included in the division or part of such system composed of positions of members who do not desire such coverage if (i) such individuals, on the day before becoming such members, were in the division or part of another separate retirement system (deemed to exist by reason of subparagraph (A)) composed of positions of members of such system who do not desire coverage under an agreement under this

section, and (ii) all of the positions in the separate retirement system of which such individuals so become members and all of the positions in the separate retirement system referred to in clause (i) would have been covered by a single retirement system if the State had not taken action to provide for separate retirement systems under this paragraph."

(2) The amendment made by paragraph (1) shall apply in the case of transfers of positions (as described therein) which occur on or after the date of enactment of this Act. Such amendment shall also apply in the case of such transfers in any State which occurred prior to such date, but only upon request of the Governor (or other official designated by him for the purpose) filed with the Secretary of Health, Education, and Welfare before July 1, 1961; and, in the case of any such request, such amendment shall apply only with respect to wages paid on and after the date on which such request is filed.

#### Retroactive Coverage

(c) (1) Section 218(f)(1) of the Social Security Act is amended by striking out all that follows the first semicolon and inserting in lieu thereof the following: "except that such date may not be earlier than the last day of the sixth calendar year preceding the year in which such agreement or modification, as the case may be, is agreed to by the Secretary and the State."

42 USC 418.

(2) Section 218(d)(6)(A) of such Act is amended by adding at the end thereof the following new sentence: "Where a retirement system covering positions of employees of a State and positions of employees of one or more political subdivisions of the State, or covering positions of employees of two or more political subdivisions of the State, is not divided into separate retirement systems pursuant to the preceding sentence or pursuant to subparagraph (C), then the State may, for purposes of subsection (f) only, deem the system to be a separate retirement system with respect to any one or more of the political subdivisions concerned and, where the retirement system covers positions of employees of the State, a separate retirement system with respect to the State or with respect to the State and any one or more of the political subdivisions concerned."

(3) The amendment made by paragraph (1) shall apply in the case of any agreement or modification of an agreement under section 218 of the Social Security Act which is agreed to on or after January 1, 1960; except that in the case of any such agreement or modification agreed to before January 1, 1961, the effective date specified therein shall not be earlier than December 31, 1955. The amendment made by paragraph (2) shall apply in the case of any such agreement or modification which is agreed to on or after the date of the enactment of this Act.

#### Policemen and Firemen

(d) Section 218(p) of the Social Security Act is amended by inserting "Hawaii," after "Georgia,"; and by striking out "Washington, or Territory of Hawaii" and inserting in lieu thereof "Virginia, or Washington".

Limitation on States' Liability for Employer (and Employee)  
Contributions in Certain Cases

42 USC 418.

(e) (1) Section 218(e) of the Social Security Act is amended by inserting "(1)" immediately after "(e)", by redesignating paragraphs (1) and (2) as subparagraphs (A) and (B), respectively, and by adding at the end thereof the following new paragraph:

"(2) Where—

"(A) an individual in any calendar year performs services to which an agreement under this section is applicable (i) as the employee of two or more political subdivisions of a State or (ii) as the employee of a State and one or more political subdivisions of such State; and

26 USC 3111.

"(B) such State provides all of the funds for the payment of those amounts referred to in paragraph (1)(A) which are equivalent to the taxes imposed by section 3111 of the Internal Revenue Code of 1954 with respect to wages paid to such individual for such services; and

"(C) the political subdivision or subdivisions involved do not reimburse such State for the payment of such amounts or, in the case of services described in subparagraph (A) (ii), for the payment of so much of such amounts as is attributable to employment by such subdivision or subdivisions;

then, notwithstanding paragraph (1), the agreement under this section with such State may provide (either in the original agreement or by a modification thereof) that the amounts referred to in paragraph (1)(A) may be computed as though the wages paid to such individual for the services referred to in clause (A) of this paragraph were paid by one political subdivision for services performed in its employ; but the provisions of this paragraph shall be applicable only where such State complies with such regulations as the Secretary may prescribe to carry out the purposes of this paragraph. The preceding sentence shall be applicable with respect to wages paid after an effective date specified in such agreement or modification, but in no event with respect to wages paid before (i) January 1, 1957, in the case of an agreement or modification which is mailed or delivered by other means to the Secretary before January 1, 1962, or (ii) the first day of the year in which the agreement or modification is mailed or delivered by other means to the Secretary, in the case of an agreement or modification which is so mailed or delivered on or after January 1, 1962."

Ante, p. 929.

(2) Section 218(f) (1) of such Act is amended by striking out "Any agreement" and inserting in lieu thereof "Except as provided in subsection (e) (2), any agreement".

Statute of Limitations for State and Local Coverage

(f) (1) Section 218 of the Social Security Act is amended by adding at the end thereof the following new subsections:

"Time Limitation on Assessments

"(q) (1) Where a State is liable for an amount due under an agreement pursuant to this section, such State shall remain so liable until the Secretary is satisfied that the amount due has been paid to the Secretary of the Treasury.

"(2) Notwithstanding paragraph (1), a State shall not be liable for an amount due under an agreement pursuant to this section, with respect to the wages paid to individuals, after the expiration of the latest of the following periods—

“(A) three years, three months, and fifteen days after the year in which such wages were paid, or

“(B) three years after the date on which such amount became due, or

“(C) three years, three months, and fifteen days after the year following the year in which this subsection is enacted, unless prior to the expiration of such period the Secretary makes an assessment of the amount due.

“(3) For purposes of this subsection and section 205(c), an assessment of an amount due is made when the Secretary mails or otherwise delivers to the State a notice stating the amount he has determined to be due under an agreement pursuant to this section and the basis for such determination.

42 USC 405.

“(4) An assessment of an amount due made by the Secretary after the expiration of the period specified in paragraph (2) shall nevertheless be deemed to have been made within such period if—

“(A) before the expiration of such period (or, if it has previously been extended under this paragraph, of such period as so extended), the State and the Secretary agree in writing to an extension of such period (or extended period) and, subject to such conditions as may be agreed upon, the Secretary makes the assessment prior to the expiration of such extension; or

“(B) within the 365 days immediately preceding the expiration of such period (or extended period) the State pays to the Secretary of the Treasury less than the correct amount due under an agreement pursuant to this section with respect to wages paid to individuals in any calendar quarters as members of a coverage group, and the Secretary of Health, Education, and Welfare makes the assessment, adjusted to take into account the amount paid by the State, no later than the 365th day after the day the State made payment to the Secretary of the Treasury; but the Secretary of Health, Education, and Welfare shall make such assessment only with respect to the wages paid to such individuals in such calendar quarters as members of such coverage group; or

“(C) pursuant to subparagraph (A) or (B) of section 205(c)(5) he includes in his records an entry with respect to wages for an individual, but only if such assessment is limited to the amount due with respect to such wages and is made within the period such entry could be made in such records under such subparagraph.

“(5) If the Secretary allows a claim for a credit or refund of an overpayment by a State under an agreement pursuant to this section, with respect to wages paid or alleged to have been paid to an individual in a calendar year for services as a member of a coverage group, and if as a result of the facts on which such allowance is based there is an amount due from the State, with respect to wages paid to such individual in such calendar year for services performed as a member of a coverage group, for which amount the State is not liable by reason of paragraph (2), then notwithstanding paragraph (2) the State shall be liable for such amount due if the Secretary makes an assessment of such amount due at the time of or prior to notification to the State of the allowance of such claim. For purposes of this paragraph and paragraph (6), interest as provided for in subsection (j) shall not be included in determining the amount due.

“(6) The Secretary shall accept wage reports filed by a State under an agreement pursuant to this section or regulations of the Secretary thereunder, after the expiration of the period specified in paragraph



(2) or such period as extended pursuant to paragraph (4), with respect to wages which are paid to individuals performing services as employees in a coverage group included in the agreement and for payment in connection with which the State is not liable by reason of paragraph (2), only if the State—

“(A) pays to the Secretary of the Treasury the amount due under such agreement with respect to such wages, and

“(B) agrees in writing with the Secretary of Health, Education, and Welfare to an extension of the period specified in paragraph (2) with respect to wages paid to all individuals performing services as employees in such coverage group in the calendar quarters designated by the State in such wage reports as the periods in which such wages were paid. If the State so agrees, the period specified in paragraph (2), or such period as extended pursuant to paragraph (4), shall be extended until such time as the Secretary notifies the State that such wage reports have been accepted.

“(7) Notwithstanding the preceding provisions of this subsection, where there is an amount due by a State under an agreement pursuant to this section and there has been a fraudulent attempt on the part of an officer or employee of the State or any political subdivision thereof to defeat or evade payment of such amount due, the State shall be liable for such amount due without regard to the provisions of paragraph (2), and the Secretary may make an assessment of such amount due at any time.

#### “Time Limitation on Credits and Refunds

“(r) (1) No credit or refund of an overpayment by a State under an agreement pursuant to this section with respect to wages paid or alleged to have been paid to an individual as a member of a coverage group in a calendar quarter shall be allowed after the expiration of the latest of the following periods—

“(A) three years, three months, and fifteen days after the year in which occurred the calendar quarter in which such wages were paid or alleged to have been paid, or

“(B) three years after the date the payment which included such overpayment became due under such agreement with respect to the wages paid or alleged to have been paid to such individual as a member of such coverage group in such calendar quarter, or

“(C) two years after such overpayment was made to the Secretary of the Treasury, or

“(D) three years, three months, and fifteen days after the year following the year in which this subsection is enacted,

unless prior to the expiration of such period a claim for such credit or refund is filed with the Secretary of Health, Education, and Welfare by the State.

“(2) A claim for a credit or refund filed by a State after the expiration of the period specified by paragraph (1) shall nevertheless be deemed to have been filed within such period if—

“(A) before the expiration of such period (or, if it has previously been extended under this subparagraph, of such period as so extended) the State and the Secretary agree in writing to an extension of such period (or extended period) and the claim is filed with the Secretary by the State prior to the expiration of such extension; but any claim for a credit or refund valid because of this subparagraph shall be allowed only to the extent authorized by the conditions provided for in the agreement for such extension, or

“(B) the Secretary deletes from his records an entry with respect to wages of an individual pursuant to the provisions of subparagraph (A), (B), or (E) of section 205(c) (5), but only with respect to the entry so deleted.

42 USC 405.

#### “Review by Secretary

“(s) Where the Secretary has made an assessment of an amount due by a State under an agreement pursuant to this section, disallowed a State's claim for a credit or refund of an overpayment under such agreement, or allowed a State a credit or refund of an overpayment under such agreement, he shall review such assessment, disallowance, or allowance if a written request for such review is filed with him by the State within 90 days (or within such further time as he may allow) after notification to the State of such assessment, disallowance, or allowance. On the basis of the evidence obtained by or submitted to the Secretary, he shall render a decision affirming, modifying, or reversing such assessment, disallowance, or allowance. In notifying the State of his decision, the Secretary shall state the basis therefor.

#### “Review by Court

“(t) (1) Notwithstanding any other provision of this title any State, irrespective of the amount in controversy, may file, within two years after the mailing to such State of the notice of any decision by the Secretary pursuant to subsection (s) affecting such State, or within such further time as the Secretary may allow, a civil action for a redetermination of the correctness of the assessment of the amount due, the disallowance of the claim for a refund or credit, or the allowance of the refund or credit, as the case may be, with respect to which the Secretary has rendered such decision. Such action shall be brought in the district court of the United States for the judicial district in which is located the capital of such State, or, if such action is brought by an instrumentality of two or more States, the principal office of such instrumentality. The judgment of the court shall be final, except that it shall be subject to review in the same manner as judgments of such court in other civil actions. Any action filed under this subsection shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office.

“(2) Notwithstanding the provisions of section 2411 of title 28, United States Code, no interest shall accrue to a State after final judgment with respect to a credit or refund of an overpayment made under an agreement pursuant to this section.

63 Stat. 106.

“(3) The first sentence of section 2414 of title 28, United States Code, shall not apply to final judgments rendered by district courts of the United States in civil actions filed under this subsection. In such cases, the payment of amounts due to States pursuant to such final judgments shall be adjusted in accordance with the provisions of this section and with regulations promulgated by the Secretary.”

62 Stat. 974.

(2) Section 205(c) (5) (F) of such Act is amended to read as follows:

“(F) to conform his records to—

“(i) tax returns or portions thereof (including information returns and other written statements) filed with the Commissioner of Internal Revenue under title VIII of the Social Security Act, under subchapter E of chapter 1 or subchapter A of chapter 9 of the Internal Revenue Code of 1939, under chapter 2 or 21 of the Internal Revenue Code of 1954, or under regulations made under authority of such title, subchapter, or chapter;

42 USC 1001.

53 Stat. 175.

26 USC 1401-1403, 3101 et seq.

42 USC 418.

“(ii) wage reports filed by a State pursuant to an agreement under section 218 or regulations of the Secretary thereunder; or

Ante, p. 930.

“(iii) assessments of amounts due under an agreement pursuant to section 218, if such assessments are made within the period specified in subsection (q) of such section, or allowances of credits or refunds of overpayments by a State under an agreement pursuant to such section;

except that no amount of self-employment income of an individual for any taxable year (if such return or statement was filed after the expiration of the time limitation following the taxable year) shall be included in the Secretary's records pursuant to this subparagraph;”

(3) (A) The amendments made by paragraphs (1) and (2) shall become effective on the first day of the second calendar year following the year in which this Act is enacted.

Ante, p. 933.

(B) In any case in which the Secretary of Health, Education, and Welfare has notified a State prior to the beginning of such second calendar year that there is an amount due by such State, that such State's claim for a credit or refund of an overpayment is disallowed, or that such State has been allowed a credit or refund of an overpayment, under an agreement pursuant to section 218 of the Social Security Act, then the Secretary shall be deemed to have made an assessment of such amount due as provided in section 218(q) of such Act or notified the State of such allowance or disallowance, as the case may be, on the first day of such second calendar year. In such a case the 90-day limitation in section 218(s) of such Act shall not be applicable with respect to the assessment so deemed to have been made or the notification of allowance or disallowance so deemed to have been given the State. However, the preceding sentences of this subparagraph shall not apply if the Secretary makes an assessment of such amount due or notifies the State of such allowance or disallowance on or after the first day of the second calendar year following the year in which this Act is enacted and within the period specified in section 218(q) of the Social Security Act or the period specified in section 218(r) of such Act, as the case may be.

Ante, p. 932.

### Municipal and County Hospitals

(g) Section 218(d) (6) (B) of the Social Security Act is amended by adding at the end thereof the following new sentence: “If a retirement system covers positions of employees of a hospital which is an integral part of a political subdivision, then, for purposes of the preceding paragraphs there shall, if the State so desires, be deemed to be a separate retirement system for the employees of such hospital.”

### Validation of Coverage for Certain Mississippi Teachers

(h) For purposes of the agreement under section 218 of the Social Security Act entered into by the State of Mississippi, services of teachers in such State performed after February 28, 1951, and prior to October 1, 1959, shall be deemed to have been performed by such teachers as employees of the State. The term “teacher” as used in the preceding sentence means—

(1) any individual who is licensed to serve in the capacity of teacher, librarian, registrar, supervisor, principal, or superintendent and who is principally engaged in the public elementary or secondary school system of the State in any one or more of such capacities;

(2) any employee in the office of the county superintendent of education or the county school supervisor, or in the office of the principal of any county or municipal public elementary or secondary school in the State; and

(3) any individual licensed to serve in the capacity of teacher who is engaged in any educational capacity in any day or night school conducted under the supervision of the State department of education as a part of the adult education program provided for under the laws of Mississippi or under the laws of the United States.

#### Justices of the Peace and Constables in the State of Nebraska

(i) Notwithstanding any provision of section 218 of the Social Security Act, the agreement with the State of Nebraska entered into pursuant to such section may, at the option of such State, be modified so as to exclude services performed within such State by individuals as justices of the peace or constables, if such individuals are compensated for such services on a fee basis. Any modification of such agreement pursuant to this subsection shall be effective with respect to services performed after an effective date specified in such modification, except that such date shall not be earlier than the date of enactment of this Act.

42 USC 418.

#### Teachers in the State of Maine

(j) Section 316 of the Social Security Amendments of 1958 is amended by striking out "July 1, 1960" and inserting in lieu thereof "July 1, 1961".

72 Stat. 1040.  
42 USC 418 note.

#### Certain Employees in the State of California

(k) Notwithstanding any provision of section 218 of the Social Security Act, the agreement with the State of California heretofore entered into pursuant to such section may at the option of such State be modified, at any time prior to 1962, pursuant to subsection (c) (4) of such section 218, so as to apply to services performed by any individual who, on or after January 1, 1957, and on or before December 31, 1959, was employed by such State (or any political subdivision thereof) in any hospital employee's position which, on September 1, 1954, was covered by a retirement system, but which, prior to 1960, was removed from coverage by such retirement system if, prior to July 1, 1960, there have been paid in good faith to the Secretary of the Treasury, with respect to any of the services performed by such individual in any such position, amounts equivalent to the sum of the taxes which would have been imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 if such services had constituted employment for purposes of chapter 21 of such Code at the time they were performed. Notwithstanding the provisions of subsection (f) of such section 218 such modification shall be effective with respect to (1) all services performed by such individual in any such position on or after January 1, 1960, and (2) all such services, performed before such date, with respect to which amounts equivalent to such taxes have, prior to the date of enactment of this subsection, been paid.

26 USC 3101,  
3111.  
26 USC 3101 et  
seq.



Inclusion of Texas Among States Which Are Permitted To Divide Their Retirement Systems Into Two Parts for Purposes of Obtaining Social Security Coverage Under Federal-State Agreement

Ante, p. 928.

(1) Section 218(d)(6)(C) of the Social Security Act is amended by inserting "Texas," before "Vermont".

EXTENSION OF THE PROGRAM TO GUAM AND AMERICAN SAMOA

Post, pp. 937, 947.

SEC. 103. (a) (1) (A) The next to the last sentence of section 202(i) of the Social Security Act is amended by striking out "Puerto Rico, or the Virgin Islands" and inserting in lieu thereof "the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa".

(B) The last sentence of such section 202(i) is amended by striking out "any of such States, or the District of Columbia" and inserting in lieu thereof "any State".

64 Stat. 488; 66 Stat. 776.  
42 USC 402 note.

(2) Section 101(d) of the Social Security Act Amendments of 1950 and section 5(e)(2) of the Social Security Act Amendments of 1952 are each amended by striking out "Puerto Rico or the Virgin Islands" and inserting in lieu thereof "the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa".

42 USC 403.

(b) Section 203(k) of the Social Security Act is amended by striking out "Puerto Rico, or the Virgin Islands" and inserting in lieu thereof "the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa", and by striking out "Puerto Rico and the Virgin Islands" and inserting in lieu thereof "the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa".

42 USC 410.

(c) Section 210(a)(7) of such Act is amended to read as follows:

"(7) Service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, except that this paragraph shall not apply in the case of—

42 USC 418.

"(A) service included under an agreement under section 218,

"(B) service which, under subsection (k), constitutes covered transportation service, or

"(C) service in the employ of the Government of Guam or the Government of American Samoa or any political subdivision thereof, or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, performed by an officer or employee thereof (including a member of the legislature of any such Government or political subdivision), and, for purposes of this title—

"(i) any person whose service as such an officer or employee is not covered by a retirement system established by a law of the United States shall not, with respect to such service, be regarded as an officer or employee of the United States or any agency or instrumentality thereof, and

"(ii) the remuneration for service described in clause (i) (including fees paid to a public official) shall be deemed to have been paid by the Government of Guam or the Government of American Samoa or by a political subdivision thereof or an instrumentality of any one or more of the foregoing which is wholly owned thereby, whichever is appropriate;"

(d) Section 210(a) of such Act is further amended—

42 USC 410.

(1) by striking out “or” at the end of paragraph (16),

(2) by striking out the period at the end of paragraph (17) and inserting in lieu thereof “; or”, and

(3) by adding at the end thereof the following new paragraph:

“(18) Service performed in Guam by a resident of the Republic of the Philippines while in Guam on a temporary basis as a nonimmigrant alien admitted to Guam pursuant to section 101(a)(15)(H)(ii) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)(ii)).”

66 Stat. 166.

(e) Section 210(h) of such Act is amended to read as follows:

#### “State

“(h) The term ‘State’ includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.”

(f) Section 210(i) of such Act is amended to read as follows:

#### “United States

“(i) The term ‘United States’ when used in a geographical sense means the States, the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.”

42 USC 411.

(g) (1) Section 211(a) of such Act is amended by striking out the period at the end of paragraph (7) and inserting in lieu thereof “; and”, and by inserting after paragraph (7) the following new paragraph:

“(8) The term ‘possession of the United States’ as used in sections 931 (relating to income from sources within possessions of the United States) and 932 (relating to citizens of possessions of the United States) of the Internal Revenue Code of 1954 shall be deemed not to include the Virgin Islands, Guam, or American Samoa.”

26 USC 931, 932.

(2) Clauses (v) and (vi) in the last sentence of section 211(a) of such Act are each amended by striking out “paragraphs (1) through (6)” and inserting in lieu thereof “paragraphs (1) through (6) and paragraph (8)”.

(h) Section 211(b) of such Act is amended by striking out the last two sentences and inserting in lieu thereof the following:

“An individual who is not a citizen of the United States but who is a resident of the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa shall not, for the purposes of this subsection, be considered to be a nonresident alien individual.”

(i) Section 218(b)(1) of such Act is amended by inserting “, Guam, or American Samoa” immediately before the period at the end thereof.

42 USC 418, 419.

(j) (1) Section 219 of such Act is repealed.

Repeals.

(2) (A) Section 210(j) of such Act is repealed.

(B) Subsections (k) through (o) of section 210 of such Act are redesignated as subsections (j) through (n), respectively.

(C) Sections 202(i), 215(h)(1), and 217(e)(1), and the last paragraph of section 209, are each amended by striking out “section 210(m)(1)” and inserting in lieu thereof “section 210(l)(1)”.

42 USC 402, 415, 417, 409.

(D) Section 202(t)(4) (D) of such Act is amended—

(i) by striking out “section 210(m)(2)”, “section 210(m)(3)”, and “section 210(m)(2) and (3)” and inserting in lieu thereof “section 210(l)(2)”, “section 210(l)(3)”, and “section 210(l)(2) and (3)”, respectively; and

(ii) by striking out "section 210(n)" each place it appears and inserting in lieu thereof "section 210(m)".

42 USC 405, 409.

(E) Section 205(p)(1) of such Act is amended by striking out "subsection (m)(1)" and inserting in lieu thereof "subsection (1)(1)".

(F) Section 209(j) of such Act is amended by striking out "section 210(k)(3)(C)" and inserting in lieu thereof "section 210(j)(3)(C)".

(G) Section 218(c)(6)(C) of such Act is amended by striking out "section 210(1)" and inserting in lieu thereof "section 210(k)".

42 USC 411.

(3) Section 211(a)(6) of such Act is amended to read as follows:

"(6) A resident of the Commonwealth of Puerto Rico shall compute his net earnings from self-employment in the same manner as a citizen of the United States but without regard to the provisions of section 933 of the Internal Revenue Code of 1954;"

26 USC 933.

26 USC 1402.

(k)(1) Section 1402(a) of the Internal Revenue Code of 1954 (relating to definition of net earnings from self-employment) is amended by striking out the period at the end of paragraph (8) and inserting in lieu thereof "; and", and by inserting after paragraph (8) the following new paragraph:

"(9) the term 'possession of the United States' as used in sections 931 (relating to income from sources within possessions of the United States) and 932 (relating to citizens of possessions of the United States) shall be deemed not to include the Virgin Islands, Guam, or American Samoa."

26 USC 931, 932.

(2) Clauses (v) and (vi) in the last sentence of such section 1402(a) are each amended by striking out "paragraphs (1) through (7)" and inserting in lieu thereof "paragraphs (1) through (7) and paragraph (9)".

(1) The last sentence of section 1402(b) of such Code (relating to definition of self-employment income) is amended by striking out "the Virgin Islands or a resident of Puerto Rico" and inserting in lieu thereof "the Commonwealth of Puerto Rico, the Virgin Islands, Guam, or American Samoa".

26 USC 1403.

(m) Section 1403(b)(2) of such Code (relating to cross references) is amended by inserting ", Guam, American Samoa," after "Virgin Islands".

26 USC 3121.

(n) Section 3121(b)(7) of such Code (relating to definition of employment) is amended to read as follows:

"(7) service performed in the employ of a State, or any political subdivision thereof, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, except that this paragraph shall not apply in the case of—

"(A) service which, under subsection (j), constitutes covered transportation service, or

"(B) service in the employ of the Government of Guam or the Government of American Samoa or any political subdivision thereof, or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, performed by an officer or employee thereof (including a member of the legislature of any such Government or political subdivision), and, for purposes of this title with respect to the taxes imposed by this chapter—

"(i) any person whose service as such an officer or employee is not covered by a retirement system established by a law of the United States shall not, with respect to such service, be regarded as an employee of the United States or any agency or instrumentality thereof, and

"(ii) the remuneration for service described in clause (i) (including fees paid to a public official) shall be deemed to have been paid by the Government of Guam

or the Government of American Samoa or by a political subdivision thereof or an instrumentality of any one or more of the foregoing which is wholly owned thereby, whichever is appropriate;”

(o) Section 3121(b) of such Code is further amended—

26 USC 3121.

(1) by striking out “or” at the end of paragraph (16),

(2) by striking out the period at the end of paragraph (17) and inserting in lieu thereof “; or”, and

(3) by adding at the end thereof the following new paragraph:

“(18) service performed in Guam by a resident of the Republic of the Philippines while in Guam on a temporary basis as a non-immigrant alien admitted to Guam pursuant to section 101(a)(15)(H)(ii) of the Immigration and Nationality Act (8 U.S.C. 1101(a)(15)(H)(ii)).”

(p) Section 3121(e) of such Code (relating to definition of State, United States, and citizen) is amended to read as follows:

66 Stat. 166.

“(e) STATE, UNITED STATES, AND CITIZEN.—For purposes of this chapter—

“(1) STATE.—The term ‘State’ includes the District of Columbia, the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

“(2) UNITED STATES.—The term ‘United States’ when used in a geographical sense includes the Commonwealth of Puerto Rico, the Virgin Islands, Guam, and American Samoa.

An individual who is a citizen of the Commonwealth of Puerto Rico (but not otherwise a citizen of the United States) shall be considered, for purposes of this section, as a citizen of the United States.”

(q) (1) Subchapter C of chapter 21 of such Code (general provisions relating to tax under Federal Insurance Contributions Act) is amended by redesignating section 3125 as section 3126, and by inserting after section 3124 the following new section:

26 USC 3121-3125.

**“SEC. 3125. RETURNS IN THE CASE OF GOVERNMENTAL EMPLOYEES IN GUAM AND AMERICAN SAMOA.**

“(a) GUAM.—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of Guam or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ, may be made by the Governor of Guam or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the \$4,800 limitation in section 3121(a)(1).

26 USC 3111.

“(b) AMERICAN SAMOA.—The return and payment of the taxes imposed by this chapter on the income of individuals who are officers or employees of the Government of American Samoa or any political subdivision thereof or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, and those imposed on such Government or political subdivision or instrumentality with respect to having such individuals in its employ, may be made by the Governor of American Samoa or by such agents as he may designate. The person making such return may, for convenience of administration, make payments of the tax imposed under section 3111 with respect to the service of such individuals without regard to the \$4,800 limitation in section 3121(a)(1).”



(2) The table of sections for such subchapter C is amended by striking out

"Sec. 3125. Short title."

and inserting in lieu thereof:

"Sec. 3125. Returns in the case of governmental employees in Guam and American Samoa.

"Sec. 3126. Short title."

26 USC 6205.

(r) (1) Section 6205(a) of such Code (relating to adjustment of tax) is amended by adding at the end thereof the following new paragraph:

"(3) GUAM OR AMERICAN SAMOA AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from the Government of Guam, the Government of American Samoa, a political subdivision of either, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, the Governor of Guam, the Governor of American Samoa, and each agent designated by either who makes a return pursuant to section 3125 shall be deemed a separate employer."

Ante, p. 939.

26 USC 6413.

(2) Section 6413(a) of such Code (relating to adjustment of tax) is amended by adding at the end thereof the following new paragraph:

"(3) GUAM OR AMERICAN SAMOA AS EMPLOYER.—For purposes of this subsection, in the case of remuneration received during any calendar year from the Government of Guam, the Government of American Samoa, a political subdivision of either, or any instrumentality of any one or more of the foregoing which is wholly owned thereby, the Governor of Guam, the Governor of American Samoa, and each agent designated by either who makes a return pursuant to section 3125 shall be deemed a separate employer."

(3) Section 6413(c) (2) of such Code (relating to applicability of special rules to certain employment taxes) is amended by adding at the end thereof the following new subparagraphs:

"(D) GOVERNMENTAL EMPLOYEES IN GUAM.—In the case of remuneration received from the Government of Guam or any political subdivision thereof or from any instrumentality of any one or more of the foregoing which is wholly owned thereby, during any calendar year, the Governor of Guam and each agent designated by him who makes a return pursuant to section 3125(a) shall, for purposes of this subsection, be deemed a separate employer.

"(E) GOVERNMENTAL EMPLOYEES IN AMERICAN SAMOA.—In the case of remuneration received from the Government of American Samoa or any political subdivision thereof or from any instrumentality of any one or more of the foregoing which is wholly owned thereby, during any calendar year, the Governor of American Samoa and each agent designated by him who makes a return pursuant to section 3125(b) shall, for purposes of this subsection, be deemed a separate employer."

(4) The heading of such section 6413(c) (2) is amended by striking out "AND EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS" and inserting in lieu thereof "EMPLOYEES OF CERTAIN FOREIGN CORPORATIONS, AND GOVERNMENTAL EMPLOYEES IN GUAM AND AMERICAN SAMOA".

(s) Section 7213 of such Code (relating to unauthorized disclosure of information) is amended by redesignating subsection (d) as subsection (e) and by inserting after subsection (c) the following new subsection:

"(d) DISCLOSURES BY CERTAIN DELEGATES OF SECRETARY.—All provisions of law relating to the disclosure of information, and all provisions of law relating to penalties for unauthorized disclosure of in-

formation, which are applicable in respect of any function under this title when performed by an officer or employee of the Treasury Department are likewise applicable in respect of such function when performed by any person who is a 'delegate' within the meaning of section 7701(a)(12)(B)."

(t) Section 7701(a)(12) of such Code (relating to definition of delegate) is amended to read as follows:

"(12) DELEGATE.—

"(A) IN GENERAL.—The term 'Secretary or his delegate' means the Secretary of the Treasury, or any officer, employee, or agency of the Treasury Department duly authorized by the Secretary (directly, or indirectly by one or more redelegations of authority) to perform the function mentioned or described in the context, and the term 'or his delegate' when used in connection with any other official of the United States shall be similarly construed.

"(B) PERFORMANCE OF CERTAIN FUNCTIONS IN GUAM OR AMERICAN SAMOA.—The term 'delegate', in relation to the performance of functions in Guam or American Samoa with respect to the taxes imposed by chapters 2 and 21, also includes any officer or employee of any other department or agency of the United States, or of any possession thereof, duly authorized by the Secretary (directly, or indirectly by one or more redelegations of authority) to perform such functions."

(u) Section 30 of the Organic Act of Guam (48 U.S.C., sec. 1421h) is amended by inserting before the period at the end thereof the following: "; except that nothing in this Act shall be construed to apply to any tax imposed by chapter 2 or 21 of the Internal Revenue Code of 1954".

(v) (1) The amendments made by subsection (a) shall apply only with respect to reintitlements after the date of the enactment of this Act. The amendments made by subsections (b), (e), and (f) shall apply only with respect to service performed after 1960; except that insofar as the carrying on of a trade or business (other than performance of service as an employee) is concerned, such amendments shall apply only in the case of taxable years beginning after 1960. The amendments made by subsections (d), (i), (o), and (p) shall apply only with respect to service performed after 1960. The amendments made by subsections (h) and (l) shall apply only in the case of taxable years beginning after 1960. The amendments made by subsections (c), (n), (q), and (r) shall apply only with respect to (1) service in the employ of the Government of Guam or any political subdivision thereof, or any instrumentality of any one or more of the foregoing wholly owned thereby, which is performed after 1960 and after the calendar quarter in which the Secretary of the Treasury receives a certification by the Governor of Guam that legislation has been enacted by the Government of Guam expressing its desire to have the insurance system established by title II of the Social Security Act extended to the officers and employees of such Government and such political subdivisions and instrumentalities, and (2) service in the employ of the Government of American Samoa or any political subdivision thereof or any instrumentality of any one or more of the foregoing wholly owned thereby, which is performed after 1960 and after the calendar quarter in which the Secretary of the Treasury receives a certification by the Governor of American Samoa that the Government of American Samoa desires to have the insurance system established by such title II extended to the officers and employees of such Government and such political subdivisions and instrumentalities. The amendments made by subsections (g)

*Infra.*

26 USC 1401-1403, 3101 et seq.

64 Stat. 392.

42 USC 401 et seq.

and (k) shall apply only in the case of taxable years beginning after 1960, except that, insofar as they involve the nonapplication of section 932 of the Internal Revenue Code of 1954 to the Virgin Islands for purposes of chapter 2 of such Code and section 211 of the Social Security Act, such amendments shall be effective in the case of all taxable years with respect to which such chapter 2 (and corresponding provisions of prior law) and such section 211 are applicable. The amendments made by subsections (j), (s), and (t) shall take effect on the date of the enactment of this Act; and there are authorized to be appropriated such sums as may be necessary for the performance by any officer or employee of functions delegated to him by the Secretary of the Treasury in accordance with the amendment made by such subsection (t).

(2) The amendments made by subsections (c) and (n) shall have application only as expressly provided therein, and determinations as to whether an officer or employee of the Government of Guam or the Government of American Samoa or any political subdivision thereof, or of any instrumentality of any one or more of the foregoing which is wholly owned thereby, is an employee of the United States or any agency or instrumentality thereof within the meaning of any provision of law not affected by such amendments, shall be made without any inferences drawn from such amendments.

(3) The repeal (by subsection (j) (1)) of section 219 of the Social Security Act, and the elimination (by subsections (e), (f), (h), (j) (2), and (j) (3)) of other provisions of such Act making reference to such section 219, shall not be construed as changing or otherwise affecting the effective date specified in such section for the extension to the Commonwealth of Puerto Rico of the insurance system under title II of such Act, the manner or consequences of such extension, or the status of any individual with respect to whom the provisions so eliminated are applicable.

#### SERVICE OF PARENT FOR SON OR DAUGHTER

SEC. 104. (a) Section 210 (a) (3) of the Social Security Act is amended to read as follows:

“(3) (A) Service performed by an individual in the employ of his spouse, and service performed by a child under the age of twenty-one in the employ of his father or mother;

“(B) Service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual in the employ of his son or daughter;”.

(b) Section 3121(b) (3) of the Internal Revenue Code of 1954 (relating to definition of employment) is amended to read as follows:

“(3) (A) service performed by an individual in the employ of his spouse, and service performed by a child under the age of 21 in the employ of his father or mother;

“(B) service not in the course of the employer's trade or business, or domestic service in a private home of the employer, performed by an individual in the employ of his son or daughter;”.

(c) The amendments made by subsections (a) and (b) shall apply only with respect to services performed after 1960.

#### EMPLOYEES OF NONPROFIT ORGANIZATIONS

SEC. 105. (a) (1) The first sentence of section 3121(k) (1) (A) of the Internal Revenue Code of 1954 (relating to waiver of exemption by religious, charitable, and certain other organizations) is amended by striking out “and that at least two-thirds of its employees concur in the filing of the certificate”.

26 USC 932.

26 USC 1401-

1403.

42 USC 411.

Ante, p. 937.

42 USC 401 et  
seq.

42 USC 410.

26 USC 3121.

(2) The second sentence of such section 3121(k)(1)(A) is amended by inserting "(if any)" after "each employee".

*Ante*, p. 942.

(3) Section 3121(k)(1)(E) of such Code is amended by striking out the last two sentences and inserting in lieu thereof: "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."

26 USC 3121.

(b)(1) If—

(A) an individual performed service in the employ of an organization after 1950 with respect to which remuneration was paid before July 1, 1960, and such service is excepted from employment under section 210(a)(8)(B) of the Social Security Act,

42 USC 410.

(B) such service would have constituted employment as defined in section 210 of such Act if the requirements of section 3121(k)(1) of the Internal Revenue Code of 1954 (or corresponding provisions of prior law) were satisfied,

(C) such organization paid before August 11, 1960, any amount, as taxes imposed by sections 3101 and 3111 of the Internal Revenue Code of 1954 (or corresponding provisions of prior law), with respect to such remuneration paid by the organization to the individual for such service,

26 USC 3101, 3111.

(D) such individual (or a fiduciary acting for such individual or his estate, or his survivor (within the meaning of section 205(c)(1)(C) of the Social Security Act)) requests that such remuneration be deemed to constitute remuneration for employment for purposes of title II of the Social Security Act, and

42 USC 405.

(E) the request is made in such form and manner, and with such official, as may be prescribed by regulations made by the Secretary of Health, Education, and Welfare,

42 USC 401 et seq.

then, subject to the conditions stated in paragraphs (2), (3), and (4), the remuneration with respect to which the amount has been paid as taxes shall be deemed to constitute remuneration for employment for purposes of title II of the Social Security Act.

(2) Paragraph (1) shall not apply with respect to an individual unless the organization referred to in paragraph (1)(A)—

(A) on or before the date on which the request described in paragraph (1) is made, has filed a certificate pursuant to section 3121(k)(1) of the Internal Revenue Code of 1954 (or corresponding provisions of prior law), or

(B) no longer has any individual in its employ for remuneration at the time such request is made.

(3) Paragraph (1) shall not apply with respect to an individual who was in the employ of the organization referred to in paragraph (2)(A) at any time during the 24-month period following the calendar quarter in which the certificate was filed, unless the organization paid an amount as taxes under sections 3101 and 3111 of the Internal Revenue Code of 1954 (or corresponding provisions of prior law) with respect to remuneration paid by the organization to the employee during some portion of such 24-month period.

(4) If credit or refund of any portion of the amount referred to in paragraph (1)(C) (other than a credit or refund which would be allowed if the service constituted employment for purposes of chapter 21 of the Internal Revenue Code of 1954) has been obtained, paragraph (1) shall not apply with respect to the individual unless the amount credited or refunded (including any interest under section 6611) is repaid before January 1, 1963.

26 USC 3101 et seq.

26 USC 6611.



(5) If—

(A) any remuneration for service performed by an individual is deemed pursuant to paragraph (1) to constitute remuneration for employment for purposes of title II of the Social Security Act,

(B) such individual performs service, on or after the date on which the request is made, in the employ of the organization referred to in paragraph (1) (A), and

(C) the certificate filed by such organization pursuant to section 3121(k) (1) of the Internal Revenue Code of 1954 (or corresponding provisions of prior law) is not effective with respect to service performed by such individual before the first day of the calendar quarter following the quarter in which the request is made,

then, for purposes of clauses (ii) and (iii) of section 210 (a) (8) (B) of the Social Security Act and of clauses (ii) and (iii) of section 3121(b) (8) (B) of the Internal Revenue Code of 1954, such individual shall be deemed to have become an employee of such organization (or to have become a member of a group described in section 3121(k) (1) (E) of such Code) on the first day of the calendar quarter following the quarter in which the request is made.

(6) Section 403(a) of the Social Security Amendments of 1954 is amended by striking out "filed in such form and manner" and inserting in lieu thereof "filed on or before the date of the enactment of the Social Security Amendments of 1960 and in such form and manner".

(c) (1) Section 1402 of such Code is further amended by adding at the end thereof the following new subsection:

"(g) TREATMENT OF CERTAIN REMUNERATION ERRONEOUSLY REPORTED AS NET EARNINGS FROM SELF-EMPLOYMENT.—If—

"(1) an amount is erroneously paid as tax under section 1401, for any taxable year ending after 1954 and before 1962, with respect to remuneration for service described in section 3121(b) (8) (other than service described in section 3121(b) (8) (A)), and such remuneration is reported as self-employment income on a return filed on or before the due date prescribed for filing such return (including any extension thereof),

"(2) the individual who paid such amount (or a fiduciary acting for such individual or his estate, or his survivor (within the meaning of section 205(c) (1) (C) of the Social Security Act)) requests that such remuneration be deemed to constitute net earnings from self-employment,

"(3) such request is filed after the date of the enactment of this paragraph and on or before April 15, 1962,

"(4) such remuneration was paid to such individual for services performed in the employ of an organization which, on or before the date on which such request is filed, has filed a certificate pursuant to section 3121(k), and

"(5) no credit or refund of any portion of the amount erroneously paid for such taxable year as tax under section 1401 (other than a credit or refund which would be allowable if such tax were applicable with respect to such remuneration) has been obtained before the date on which such request is filed or, if obtained, the amount credited or refunded (including any interest under section 6611) is repaid on or before such date,

then, for purposes of this chapter and chapter 21, any amount of such remuneration which is paid to such individual before the calendar quarter in which such request is filed (or before the succeeding quarter if such certificate first becomes effective with respect to services performed by such individual in such succeeding quarter), and with re-

42 USC 401 et seq.

Ante, p. 943.

42 USC 410.

26 USC 3121.

68 Stat. 1098.

26 USC 1402.

42 USC 405.

26 USC 6611, 3101 et seq.

spect to which no tax (other than an amount erroneously paid as tax) has been paid under chapter 21, shall be deemed to constitute net earnings from self-employment and not remuneration for employment. For purposes of section 3121(b)(8)(B)(ii) and (iii), if the certificate filed by such organization pursuant to section 3121(k) is not effective with respect to services performed by such individual on or before the first day of the calendar quarter in which the request is filed, such individual shall be deemed to have become an employee of such organization (or to have become a member of a group described in section 3121(k)(1)(E)) on the first day of the succeeding quarter."

26 USC 3101 et seq.

26 USC 3121.

Ante, p. 943.

Ante, p. 944.

42 USC 401 et seq.

(2) Remuneration which is deemed under section 1402(g) of the Internal Revenue Code of 1954 to constitute net earnings from self-employment and not remuneration for employment shall also be deemed, for purposes of title II of the Social Security Act, to constitute net earnings from self-employment and not remuneration for employment. If, pursuant to the last sentence of section 1402(g) of the Internal Revenue Code of 1954, an individual is deemed to have become an employee of an organization (or to have become a member of a group) on the first day of a calendar quarter, such individual shall likewise be deemed, for purposes of clause (ii) or (iii) of section 210(a)(8)(B) of the Social Security Act, to have become an employee of such organization (or to have become a member of such group) on such day.

42 USC 410.

(d)(1) The amendments made by subsection (a) shall apply only with respect to certificates filed under section 3121(k)(1) of the Internal Revenue Code of 1954 after the date of the enactment of this Act.

(2) No monthly benefits under title II of the Social Security Act for the month in which this Act is enacted or any prior month shall be payable or increased by reason of the provisions of subsections (b) and (c) of this section or the amendments made by such subsections, and no lump-sum death payment under such title shall be payable or increased by reason of such provisions or amendments in the case of any individual who died prior to the date of the enactment of this Act.

#### AMERICAN CITIZEN EMPLOYEES OF FOREIGN GOVERNMENTS AND INTERNATIONAL ORGANIZATIONS

SEC. 106. (a) Section 211(c)(2) of the Social Security Act is amended to read as follows:

42 USC 411.

"(2) The performance of service by an individual as an employee, other than—

"(A) service described in section 210(a)(14)(B) performed by an individual who has attained the age of eighteen,

"(B) service described in section 210(a)(16),

"(C) service described in section 210(a)(11), (12), or (15) performed in the United States by a citizen of the United States, and

"(D) service described in paragraph (4) of this subsection;"

(b) Section 1402(c)(2) of the Internal Revenue Code of 1954 (relating to definition of trade or business) is amended to read as follows:

26 USC 1402.

"(2) the performance of service by an individual as an employee, other than—

"(A) service described in section 3121(b)(14)(B) performed by an individual who has attained the age of 18,

"(B) service described in section 3121(b)(16),

26 USC 3121.

Ante, p. 939.

“(C) service described in section 3121(b) (11), (12), or (15) performed in the United States (as defined in section 3121(e) (2)) by a citizen of the United States, and

“(D) service described in paragraph (4) of this subsection;”.

42 USC 403.

(c) The amendments made by this section shall apply only with respect to taxable years ending on or after December 31, 1960; except that for purposes of section 203 of the Social Security Act, the amendment made by subsection (a) shall apply only with respect to taxable years (of the individual performing the service involved) beginning after the date of the enactment of this Act.

## TITLE II—ELIGIBILITY FOR BENEFITS

### CHILDREN BORN OR ADOPTED AFTER ONSET OF PARENT'S DISABILITY

42 USC 402.

SEC. 201. (a) Section 202(d) (1) (C) of the Social Security Act is amended to read as follows:

“(C) was dependent upon such individual—

“(i) if such individual is living, at the time such application was filed,

“(ii) if such individual has died, at the time of such death,

or

“(iii) if such individual had a period of disability which continued until he became entitled to old-age or disability insurance benefits, or (if he has died) until the month of his death, at the beginning of such period of disability or at the time he became entitled to such benefits.”.

(b) Section 202 (d) (1) of such Act is further amended by adding at the end thereof the following new sentence: “In the case of an individual entitled to disability insurance benefits, the provisions of clause (i) of subparagraph (C) of this paragraph shall not apply to a child of such individual unless he (A) is the natural child or stepchild of such individual (including such a child who was legally adopted by such individual) or (B) was legally adopted by such individual before the end of the twenty-four month period beginning with the month after the month in which such individual most recently became entitled to disability insurance benefits, but only if (i) proceedings for such adoption of the child had been instituted by such individual in or before the month in which began the period of disability of such individual which still exists at the time of such adoption or (ii) such adopted child was living with such individual in such month.”

(c) The amendments made by this section shall apply as though this Act had been enacted on August 28, 1958, and with respect to monthly benefits under section 202 of the Social Security Act for months after August 1958 based on applications for such benefits filed on or after August 28, 1958.

### CONTINUED DEPENDENCY OF STEPCHILD ON NATURAL FATHER

Post, p. 952.

SEC. 202. (a) Section 202(d) (3) of the Social Security Act is amended by striking out subparagraph (C), and by striking out “, or” at the end of subparagraph (B) and inserting in lieu thereof a period.

(b) The amendments made by subsection (a) shall apply with respect to monthly benefits under section 202 of the Social Security Act for months beginning with the month in which this Act is enacted, but only if an application for such benefits is filed in or after such month.

## PAYMENT OF BURIAL EXPENSES

SEC. 203. (a) The second and third sentences of sections 202(i) of the Social Security Act are amended to read as follows: "If there is no such person, or if such person dies before receiving payment, then such amount shall be paid—

Ante, pp. 936,  
937.

"(1) if all or part of the burial expenses of such insured individual which are incurred by or through a funeral home or funeral homes remains unpaid, to such funeral home or funeral homes to the extent of such unpaid expenses, but only if (A) any person who assumed the responsibility for the payment of all or any part of such burial expenses files an application, prior to the expiration of two years after the date of death of such insured individual, requesting that such payment be made to such funeral home or funeral homes, or (B) at least 90 days have elapsed after the date of death of such insured individual and prior to the expiration of such 90 days no person has assumed responsibility for the payment of any of such burial expenses;

"(2) if all of the burial expenses of such insured individual which were incurred by or through a funeral home or funeral homes have been paid (including payments made under clause (1)), to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid such burial expenses; or

"(3) if any part of the amount payable under this subsection remains after payments have been made pursuant to clauses (1) and (2), to any person or persons, equitably entitled thereto, to the extent and in the proportions that he or they shall have paid other expenses in connection with the burial of such insured individual, in the following order of priority: (A) expenses of opening and closing the grave of such insured individual, (B) expenses of providing the burial plot of such insured individual, and (C) any remaining expenses in connection with the burial of such insured individual.

No payment (except a payment authorized pursuant to clause (1) (A) of the preceding sentence) shall be made to any person under this subsection unless application therefor shall have been filed, by or on behalf of such person (whether or not legally competent), prior to the expiration of two years after the date of death of such insured individual, or unless such person was entitled to wife's or husband's insurance benefits, on the basis of the wages and self-employment income of such insured individual, for the month preceding the month in which such individual died."

(b) The amendment made by subsection (a) shall apply—

(1) in the case of the death of an individual occurring on or after the date of the enactment of this Act, and

(2) in the case of the death of an individual occurring prior to such date, but only if no application for a lump-sum death payment under section 202(i) of the Social Security Act is filed on the basis of such individual's wages and self-employment income prior to the third calendar month beginning after such date.



## FULLY INSURED STATUS

42 USC 414.

SEC. 204. (a) Section 214(a) of the Social Security Act is amended to read as follows:

## “Fully Insured Individual

“(a) The term ‘fully insured individual’ means any individual who had not less than—

“(1) one quarter of coverage (whenever acquired) for each three of the quarters elapsing—

“(A) after (i) December 31, 1950, or (ii) if later, December 31 of the year in which he attained the age of twenty-one, and

“(B) prior to (i) the year in which he died, or (ii) if earlier, the year in which he attained retirement age, except that in no case shall an individual be a fully insured individual unless he has at least six quarters of coverage; or

“(2) forty quarters of coverage; or

“(3) in the case of an individual who died prior to 1951, six quarters of coverage;

not counting as an elapsed quarter for purposes of paragraph (1) any quarter any part of which was included in a period of disability (as defined in section 216(i)) unless such quarter was a quarter of coverage. When the number of elapsed quarters referred to in paragraph (1) is not a multiple of three, such number shall, for purposes of such paragraph, be reduced to the next lower multiple of three.”

*Post*, pp. 968,  
969.

42 USC 401 et  
seq.  
42 USC 415.

(b) The primary insurance amount (for purposes of title II of the Social Security Act) of any individual who died after 1939 and prior to 1951 shall be determined as provided in section 215(a)(2) of such Act.

68 Stat. 1085.  
42 USC 415 note.

(c) Section 109(b) of the Social Security Amendments of 1954 is amended by inserting immediately before the period at the end of such subsection “and in or prior to the month in which the Social Security Amendments of 1960 are enacted”.

(d) (1) The amendments made by subsections (a) and (b) of this section shall be applicable (A) in the case of monthly benefits under title II of the Social Security Act for months after the month in which this Act is enacted, on the basis of applications filed in or after such month, (B) in the case of lump-sum death payments under such title with respect to deaths occurring after such month, and (C) in the case of an application for a disability determination with respect to a period of disability (as defined in section 216(i) of the Social Security Act) filed after such month.

(2) For the purposes of determining (A) entitlement to monthly benefits under title II of the Social Security Act for the month in which this Act is enacted and prior months with respect to the wages and self-employment income of an individual and (B) an individual's closing date prior to 1960 under section 215(b)(3)(B) of the Social Security Act, the provisions of section 214(a) of the Social Security Act in effect prior to the date of the enactment of this Act and the provisions of section 109 of the Social Security Amendments of 1954 in effect prior to such date shall apply.

*Post*, p. 961.  
*Supra*.

SURVIVORS OF INDIVIDUALS WHO DIED PRIOR TO 1940 AND OF CERTAIN OTHER  
INDIVIDUALS

SEC. 205. (a) Subsections (d) (1), (e) (1), (g) (1), and (h) (1) of section 202 of the Social Security Act are each amended by striking out "after 1939".

*Ante*, p. 946.  
*Post*, p. 969.  
42 USC 402.

(b) That part of section 202(f) (1) of such Act which precedes subparagraph (A) is amended by striking out "after August 1950".

(c) The primary insurance amount (for purposes of title II of the Social Security Act) of any individual who died prior to 1940, and who had not less than six quarters of coverage (as defined in section 213 of such Act), shall be computed under section 215(a) (2) of such Act.

42 USC 401 et  
seq.

42 USC 413.

(d) The preceding provisions of this section and the amendments made thereby shall apply only in the case of monthly benefits under title II of the Social Security Act for months after the month in which this Act is enacted, on the basis of applications filed in or after such month.

CREDITING OF QUARTERS OF COVERAGE FOR YEARS BEFORE 1951

SEC. 206. (a) Section 213(a) (2) of the Social Security Act is amended by striking out all that precedes "\$3,600 in the case of a calendar year after 1950 and before 1955" in clause (ii) of subparagraph (B) and inserting in lieu thereof the following:

"(2) The term 'quarter of coverage' means a quarter in which the 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, except that—

42 USC 412.

"(i) no quarter after the quarter in which such individual died shall be a quarter of coverage, and no quarter any part of which was 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 any individual in any calendar year equal \$3,000 in the case of a calendar year before 1951, or".

(b) (1) Except as provided in paragraph (2), the amendment made by subsection (a) shall apply only in the case of monthly benefits under title II of the Social Security Act, and the lump-sum death payment under section 202 of such Act, based on the wages and self-employment income of an individual—

(A) who becomes entitled to benefits under section 202(a) or 223 of such Act on the basis of an application filed in or after the month in which this Act is enacted; or

42 USC 423.

(B) who is (or would, but for the provisions of section 215(f) (6) of the Social Security Act, be) entitled to a recomputation of his primary insurance amount under section 215(f) (2) (A) of such Act on the basis of an application filed in or after the month in which this Act is enacted; or

42 USC 415.

(C) who dies without becoming entitled to benefits under section 202(a) or 223 of the Social Security Act, and (unless he dies a currently insured individual but not a fully insured individual (as those terms are defined in section 214 of such Act)) without leaving any individual entitled (on the basis of his wages and self-employment income) to survivor's benefits or a lump-sum death payment under section 202 of such Act on the basis of an application filed prior to the month in which this Act is enacted; or

(D) who dies in or after the month in which this Act is enacted and whose survivors are (or would, but for the provisions of sec-

42 USC 415.

*Post*, p. 963.

42 USC 402.

68 Stat. 1071.  
42 USC 415 note.

tion 215(f)(6) of the Social Security Act, be) entitled to a recomputation of his primary insurance amount under section 215(f)(4)(A) of such Act; or

(E) who dies prior to the month in which this Act is enacted and (i) whose survivors are (or would, but for the provisions of section 215(f)(6) of the Social Security Act, be) entitled to a recomputation of his primary insurance amount under section 215(f)(4)(A) of such Act, and (ii) on the basis of whose wages and self-employment income no individual was entitled to survivor's benefits or a lump-sum death payment under section 202 of such Act on the basis of an application filed prior to the month in which this Act is enacted (and no individual was entitled to such a benefit, without the filing of an application, for any month prior to the month in which this Act is enacted); or

(F) who files an application for a recomputation under section 102(f)(2)(B) of the Social Security Amendments of 1954 in or after the month in which this Act is enacted and is (or would, but for the fact that such recomputation would not result in a higher primary insurance amount, be) entitled to have his primary insurance amount recomputed under such subparagraph; or

(G) who dies and whose survivors are (or would, but for the fact that such recomputation would not result in a higher primary insurance amount for such individual, be) entitled, on the basis of an application filed in or after the month in which this Act is enacted, to have his primary insurance amount recomputed under section 102(f)(2)(B) of the Social Security Amendments of 1954.

(2) The amendment made by subsection (a) shall also be applicable in the case of applications for disability determination under section 216(i) of the Social Security Act filed in or after the month in which this Act is enacted.

(3) Notwithstanding any other provision of this subsection, in the case of any individual who would not be a fully insured individual under section 214(a) of the Social Security Act except for the enactment of this section, no benefits shall be payable on the basis of his wages and self-employment income for any month prior to the month in which this Act is enacted.

#### TIME NEEDED TO ACQUIRE STATUS OF WIFE, CHILD, OR HUSBAND IN CERTAIN CASES

42 USC 416.

*Post*, p. 952.

SEC. 207. (a) Section 216(b) of the Social Security Act is amended by striking out "not less than three years immediately preceding the day on which her application is filed" and inserting in lieu thereof "not less than one year immediately preceding the day on which her application is filed".

(b) The first sentence of section 216(e) of such Act is amended to read as follows: "The term 'child' means (1) the child or legally adopted child of an individual, and (2) a stepchild who has been such stepchild for not less than one year immediately preceding the day on which application for child's insurance benefits is filed or (if the insured individual is deceased) the day on which such individual died."

(c) Section 216(f) of such Act is amended by striking out "not less than three years immediately preceding the day on which his application is filed" and inserting in lieu thereof "not less than one year immediately preceding the day on which his application is filed".

(d) The amendments made by this section shall apply only with respect to monthly benefits under section 202 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 such month.

42 USC 402.

## MARRIAGES SUBJECT TO LEGAL IMPEDIMENT

SEC. 208. (a) Section 216(h)(1) of the Social Security Act is amended by inserting "(A)" after "(1)", and by adding at the end thereof the following new subparagraph:

42 USC 416.

"(B) In any case where under subparagraph (A) an applicant is not (and is not deemed to be) the wife, widow, husband, or widower of a fully or currently insured individual, or where under subsection (b), (c), (f), or (g) such applicant is not the wife, widow, husband, or widower of such individual, but it is established to the satisfaction of the Secretary that such applicant in good faith went through a marriage ceremony with such individual resulting in a purported marriage between them which, but for a legal impediment not known to the applicant at the time of such ceremony, would have been a valid marriage, and such applicant and the insured individual were living in the same household at the time of the death of such insured individual or (if such insured individual is living) at the time such applicant files the application, then, for purposes of subparagraph (A) and subsections (b), (c), (f), and (g), such purported marriage shall be deemed to be a valid marriage. The provisions of the preceding sentence shall not apply (i) if another person is or has been entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual and such other person is (or is deemed to be) a wife, widow, husband, or widower of such insured individual under subparagraph (A) at the time such applicant files the application, or (ii) if the Secretary determines, on the basis of information brought to his attention, that such applicant entered into such purported marriage with such insured individual with knowledge that it would not be a valid marriage. The entitlement to a monthly benefit under subsection (b), (c), (e), (f), or (g) of section 202, based on the wages and self-employment income of such insured individual, of a person who would not be deemed to be a wife, widow, husband, or widower of such insured individual but for this subparagraph, shall end with the month before the month (i) in which the Secretary certifies, pursuant to section 205 (i), that another person is entitled to a benefit under subsection (b), (c), (e), (f), or (g) of section 202 on the basis of the wages and self-employment income of such insured individual, if such other person is (or is deemed to be) the wife, widow, husband, or widower of such insured individual under subparagraph (A), or (ii) if the applicant is entitled to a monthly benefit under subsection (b) or (c) of section 202, in which such applicant entered into a marriage, valid without regard to this subparagraph, with a person other than such insured individual. For purposes of this subparagraph, a legal impediment to the validity of a purported marriage includes only an impediment (i) resulting from the lack of dissolution of a previous marriage or otherwise arising out of such previous marriage or its dissolution, or (ii) resulting from a defect in the procedure followed in connection with such purported marriage."

42 USC 405.

(b) Section 216(h)(2) of such Act is amended by inserting "(A)" after "(2)", and by adding at the end thereof the following new subparagraph:

"(B) If an applicant is a son or daughter of a fully or currently insured individual but is not (and is not deemed to be) the child of such insured individual under subparagraph (A), such applicant



shall nevertheless be deemed to be the child of such insured individual if such insured individual and the mother or father, as the case may be, of such applicant went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of paragraph (1) (B), would have been a valid marriage."

*Ante*, p. 950.

(c) Section 216(e) of such Act is amended by adding at the end thereof the following new sentence: "For purposes of clause (2), a person who is not the stepchild of an individual shall be deemed the stepchild of such individual if such individual was not the mother or adopting mother or the father or adopting father of such person and such individual and the mother or adopting mother, or the father or adopting father, as the case may be, of such person went through a marriage ceremony resulting in a purported marriage between them which, but for a legal impediment described in the last sentence of subsection (h) (1) (B), would have been a valid marriage."

*Ante*, p. 951.

*Ante*, p. 946.

(d) Section 202(d) (3) of such Act (as amended by section 202 of this Act) is amended by adding after and below subparagraph (B) the following new sentence:

*Ante*, p. 951.

"For purposes of this paragraph, a child deemed to be a child of a fully or currently insured individual pursuant to section 216(h) (2) (B) shall, if such individual is the child's father, be deemed to be the legitimate child of such individual."

(e) Where—

42 USC 402.

(1) one or more persons were entitled (without the application of section 202(j) (1) of the Social Security Act) to monthly benefits under section 202 of such Act for the month before the month in which this Act is enacted on the basis of the wages and self-employment income of an individual; and

(2) any person is entitled to benefits under subsection (b), (c), (d), (e), (f), or (g) of section 202 of the Social Security Act for any subsequent month on the basis of such individual's wages and self-employment income and such person would not be entitled to such benefits but for the enactment of this section; and

42 USC 403.

(3) the total of the benefits to which all persons are entitled under section 202 of the Social Security Act on the basis of such individual's wages and self-employment income for such subsequent month is reduced by reason of the application of section 203(a) of such Act,

*Post*, p. 982.

then the amount of the benefit to which each person referred to in paragraph (1) of this subsection is entitled for such subsequent month shall not, after the application of such section 203(a), be less than the amount it would have been (determined without regard to section 301) if no person referred to in paragraph (2) of this subsection was entitled to a benefit referred to in such paragraph for such subsequent month on the basis of such wages and self-employment income of such individual.

42 USC 401 et seq.

(f) The amendments made by the preceding provisions of this section shall be applicable (1) with respect to monthly benefits under title II of the Social Security Act for months beginning with the month in which this Act is enacted on the basis of an application filed in or after such month, and (2) in the case of a lump-sum death payment under such title based on an application filed in or after such month, but only if no person, other than the person filing such application, has filed an application for a lump-sum death payment under such title prior to the date of the enactment of this Act with respect to the death of the same individual.

## PENALTY DEDUCTIONS UNDER FOREIGN WORK TEST

SEC. 209. (a) The subsection of section 203 of the Social Security Act redesignated as subsection (g) by section 211(c) of this Act is amended by striking out "(b) or (c)" wherever it appears and inserting in lieu thereof "(c)"; and by striking out "(other than an event specified in subsection (b)(1) or (c)(1))".

*Infra.*

(b) No deduction shall be imposed on or after the date of the enactment of this Act under section 203(f) of the Social Security Act, as in effect prior to such date, on account of failure to file a report of an event described in section 203(c) of such Act, as in effect prior to such date; and no such deduction imposed prior to such date shall be collected after such date.

## EXTENSION OF FILING PERIOD FOR HUSBAND'S, WIDOWER'S, OR PARENT'S BENEFITS IN CERTAIN CASES

SEC. 210. (a) In the case of any husband who would not be entitled to husband's insurance benefits under section 202(c) of the Social Security Act except for the enactment of this Act, the requirement in section 202(c)(1)(C) of the Social Security Act relating to the time within which proof of support must be filed shall not apply if such proof of support is filed within two years after the month in which this Act is enacted.

42 USC 402.

(b) In the case of any widower who would not be entitled to widower's insurance benefits under section 202(f) of the Social Security Act except for the enactment of this Act, the requirement in section 202(f)(1)(D) of the Social Security Act relating to the time within which proof of support must be filed shall not apply if such proof of support is filed within two years after the month in which this Act is enacted.

*Ante*, p. 949.

(c) In the case of any parent who would not be entitled to parent's insurance benefits under section 202(h) of the Social Security Act except for the enactment of this Act, the requirement in section 202(h)(1)(B) of the Social Security Act relating to the time within which proof of support must be filed shall not apply if such proof of support is filed within two years after the month in which this Act is enacted.

## INCREASE IN THE EARNED INCOME LIMITATION

SEC. 211. (a) Subsection (b) of section 203 of the Social Security Act is amended to read as follows:

42 USC 403.

## "Deductions On Account of Work

"(b) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, and from any payment or payments to which any other persons are entitled on the basis of such individual's wages and self-employment income, until the total of such deductions equals—

"(1) such individual's benefit or benefits under section 202 for any month, and

"(2) if such individual was entitled to old-age insurance benefits under section 202(a) for such month, the benefit or benefits of all other persons for such month under section 202 based on such individual's wages and self-employment income, if for such month he is charged with excess earnings, under the provisions of subsection (f) of this section, equal to the total of benefits referred to in clauses (1) and (2). If the excess earnings

so charged are less than such total of benefits, such deductions with respect to such month shall be equal only to the amount of such excess earnings. If a child who has attained the age of 18 and is entitled to child's insurance benefits, or a person who is entitled to mother's insurance benefits, is married to an individual entitled to old-age insurance benefits under section 202(a), such child or such person, as the case may be, shall, for the purposes of this subsection and subsection (f), be deemed to be entitled to such benefits on the basis of the wages and self-employment income of such individual entitled to old-age insurance benefits. If a deduction has already been made under this subsection with respect to a person's benefit or benefits under section 202 for a month, he shall be deemed entitled to payments under such section for such month for purposes of further deductions under this subsection, and for purposes of charging of each person's excess earnings under subsection (f), only to the extent of the total of his benefits remaining after such earlier deductions have been made. For purposes of this subsection and subsection (f)—

"(A) an individual shall be deemed to be entitled to payments under section 202 equal to the amount of the benefit or benefits to which he is entitled under such section after the application of subsection (a) of this section, but without the application of the penultimate sentence thereof; and

"(B) if a deduction is made with respect to an individual's benefit or benefits under section 202 because of the occurrence in any month of an event specified in subsection (c) or (d) of this section or in section 222(b), such individual shall not be considered to be entitled to any benefits under such section 202 for such month."

(b) Subsection (c) of section 203 of such Act is amended to read as follows:

"Deductions on Account of Noncovered Work Outside the United States or Failure to Have Child in Care

"(c) Deductions, in such amounts and at such time or times as the Secretary shall determine, shall be made from any payment or payments under this title to which an individual is entitled, until the total of such deductions equals such individual's benefit or benefits under section 202 for any month—

"(1) in which such individual is under the age of seventy-two and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States; or

"(2) in which such individual, if a wife under age sixty-five entitled to a wife's insurance benefit, did not have in her care (individually or jointly with her husband) a child of her husband entitled to a child's insurance benefit and such wife's insurance benefit for such month was not reduced under the provisions of section 202(q); or

"(3) in which such individual, if a widow entitled to a mother's insurance benefit, did not have in her care a child of her deceased husband entitled to a child's insurance benefit; or

"(4) in which such individual, if a former wife divorced entitled to a mother's insurance benefit, did not have in her care a child of her deceased former husband who (A) is her son, daughter, or legally adopted child and (B) is entitled to a child's insurance benefit on the basis of the wages and self-employment income of her deceased former husband.

For purposes of paragraphs (2), (3), and (4) of this subsection, a child shall not be considered to be entitled to a child's insurance benefit for any month in which an event specified in section 222(b) occurs with respect to such child. No deduction shall be made under this

42 USC 422.

42 USC 403.

Post, p. 957.

subsection from any child's insurance benefit for the month in which the child entitled to such benefit attained the age of eighteen or any subsequent month."

(c) Section 203 of such Act is amended by redesignating subsections (d), (e), (f), (g), and (h) as subsections (e), (f), (g), (h), and (i), respectively, and by inserting after subsection (c) the following new subsection:

42 USC 403.

**"Deductions From Dependents' Benefits on Account of Noncovered Work Outside the United States by Old-Age Insurance Beneficiary**

"(d) (1) Deductions shall be made from any wife's, husband's, or child's insurance benefit, based on the wages and self-employment income of an individual entitled to old-age insurance benefits, to which a wife, husband, or child is entitled, until the total of such deductions equals such wife's, husband's, or child's insurance benefit or benefits under section 202 for any month in which such individual is under the age of seventy-two and on seven or more different calendar days of which he engaged in noncovered remunerative activity outside the United States.

42 USC 402.

"(2) Deductions shall be made from any child's insurance benefit to which a child who has attained the age of eighteen is entitled, or from any mother's insurance benefit to which a person is entitled, until the total of such deductions equals such child's insurance benefit or benefits or mother's insurance benefit or benefits under section 202 for any month in which such child or person entitled to mother's insurance benefits is married to an individual who is entitled to old-age insurance benefits and on seven or more different calendar days of which such individual engaged in noncovered remunerative activity outside the United States."

(d) The subsection of section 203 of such Act redesignated as subsection (e) by subsection (c) of this section is amended to read as follows:

**"Occurrence of More Than One Event**

"(e) If more than one of the events specified in subsections (c) and (d) and section 222(b) occurs in any one month which would occasion deductions equal to a benefit for such month, only an amount equal to such benefit shall be deducted."

42 USC 422.

(e) The subsection of section 203 of such Act redesignated as subsection (f) by subsection (c) of this section is amended to read as follows:

**"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, 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, or (D) 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 \$100.

"(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), and (D) thereof.

"(3) For purposes of paragraph (1) and subsection (h), an individual's excess earnings for a taxable year shall be his earnings for such year in excess of the product of \$100 multiplied by the number of months in such year, except that of the first \$300 of such excess (or all of such excess if it is less than \$300), an amount equal to one-half thereof shall not be included. 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 (D) 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 \$100 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) In determining an individual's net earnings from self-employment and his net loss from self-employment for purposes of subparagraph (A) of this paragraph and paragraph (4), the provisions of section 211, other than paragraphs (1), (4), and (5) of subsection (c), shall be applicable; and any excess of income over deductions resulting from such a computation shall be his net earnings from self-employment and any excess of deductions over income so resulting shall be his net loss from self-employment.

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

*Ante*, pp. 937, 938.

(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."

42 USC 402.

(f) The subsection of section 203 of such Act redesignated as subsection (h) by subsection (c) of this section is amended (1) by striking out "paragraph (4) of subsection (e)" wherever it appears and inserting in lieu thereof "paragraph (5) of subsection (f)", (2) by striking out in subparagraph (B) of paragraph (1) "paragraph (3) of subsection (g)" and inserting in lieu thereof "paragraph (3) of this subsection", (3) by striking out "(b)(1)" wherever it appears and inserting in lieu thereof "(b)", and (4) by striking out in paragraph (3) "suspend the payment" and insert in lieu thereof "suspend the total or less than the total payment".

*Ante*, p. 955.

(g) The subsection of section 203 of such Act redesignated as subsection (i) by subsection (c) of this section is amended by striking out "subsection (b), (f), or (g) of this section" and inserting in lieu thereof "subsection (b), (c), (g), or (h) of this section".

(h) Subsection (1) of section 203 of such Act is amended by striking out "subsection (f) or (g)(1)(A)" and inserting in lieu thereof "subsection (g) or (h)(1)(A)".

42 USC 403.

(i) The last sentence of section 202(n)(1) of such Act is amended by striking out "Section 203 (b) and (c)" and inserting in lieu thereof "Section 203 (b), (c), and (d)".

(j)(1) Clause (A) of section 202(q)(5) of such Act is amended by striking out "paragraph (1) or (2) of" and by inserting before the comma at the end thereof "or paragraph (1) of section 203(c)".

(2) Clause (B) of such section 202(q)(5) is amended by striking out "paragraph (1) or (2) of section 203(b), under section 203(c)"

and inserting in lieu thereof "section 203(b), under section 203(c)(1), under section 203(d)(1)".

42 USC 402.

(k) (1) Clause (A) of section 202(q)(6) of such Act is amended by striking out "section 203(b)(1) or (2), under section 203(c)" and inserting in lieu thereof "section 203(b), under section 203(c)(1), under section 203(d)(1)".

(2) Clause (D) of such section 202(q)(6) is amended by striking out "paragraph (1) or (2) of" and by inserting immediately before the period "or paragraph (1) of section 203(c)".

(l) Section 202(t)(7) of such Act is amended by striking out "Subsections (b) and (c) of section 203" and inserting in lieu thereof "Subsections (b), (c), and (d) of section 203".

(m) Section 208(a)(3) of such Act is amended by striking out "section 203(e)" and inserting in lieu thereof "section 203(f)".

(n) Section 215(g) of such Act is amended by striking out "203(a)" and inserting in lieu thereof "203(a) and deductions under section 203(b)".

45 USC 228c.

(o) (1) Section 3(e) of the Railroad Retirement Act of 1937 is amended by striking out "subsections (f) and (g)(2) of section 203 of the Social Security Act" and inserting in lieu thereof "subsections (g) and (h)(2) of section 203 of the Social Security Act".

45 USC 228e.

(2) Section 5(i)(1)(ii) of the Railroad Retirement Act of 1937 is amended—

(A) by striking out "section 203(e)" each place it appears and inserting in lieu thereof "section 203(f)";

(B) by striking out "section 203(g)(3)" and inserting in lieu thereof "section 203(h)(3)"; and

(C) by striking out "earnings" each place it appears and inserting in lieu thereof "excess earnings".

Ante, p. 953.

(p) Section 203(c), (d), (e), (g), and (i) of the Social Security Act as amended by this Act shall be effective with respect to monthly benefits for months after December 1960.

(q) Section 203(b), (f), and (h) of the Social Security Act as amended by this Act shall be effective with respect to taxable years beginning after December 1960.

(r) Section 203(l) of the Social Security Act as amended by this Act, to the extent that it applies to section 203(g) of the Social Security Act as amended by this Act, shall be effective with respect to monthly benefits for months after December 1960 and, to the extent that it applies to section 203(h)(1)(A) of the Social Security Act as amended by this Act, shall be effective with respect to taxable years beginning after December 1960.

Supra.

(s) The amendments made by subsections (i), (j), (k), (l), (m), (n), and (o) of this section, to the extent that they make changes in references to provisions of section 203 of the Social Security Act, shall take effect in the manner provided in subsections (p) and (q) of this section for the provisions of such section 203 to which the respective references so changed relate.

(t) In any case where—

(1) an individual has earnings (as defined in section 203(e)(4) of the Social Security Act as in effect prior to the enactment of this Act) in a taxable year which begins before 1961 and ends in 1961 (but not on December 31, 1961), and

(2) such individual's spouse or child entitled to monthly benefits on the basis of such individual's self-employment income has excess earnings (as defined in section 203(f)(3) of the Social Security Act as amended by this Act) in a taxable year which begins after 1960, and

(3) one or more months in the taxable year specified in paragraph (2) are included in the taxable year specified in paragraph (1), then, if a deduction is imposed against the benefits payable to such individual with respect to a month described in paragraph (3), such spouse or child, as the case may be, shall not, for purposes of subsections (b) and (f) of section 203 of the Social Security Act as amended by this Act, be entitled to a payment for such month.

### TITLE III—BENEFIT AMOUNTS

#### INCREASE IN INSURANCE BENEFITS OF CHILDREN OF DECEASED WORKERS

SEC. 301. (a) The second sentence of section 202(d) (2) of the Social Security Act is amended to read as follows: "Such child's insurance benefit for each month shall, if such individual has died in or prior to such month, be equal to three-fourths of the primary insurance amount of such individual."

42 USC 402.

(b) The amendment made by this section shall apply only with respect to monthly benefits under section 202 of the Social Security Act for months after the second month following the month in which this Act is enacted.

(c) Where—

(1) one or more persons were entitled (without the application of section 202(j) (1) of the Social Security Act) to monthly benefits under section 202 of such Act for the second month following the month in which this Act is enacted on the basis of the wages and self-employment income of a deceased individual (but not including any person who became so entitled by reason of section 208 of this Act); and

42 USC 468.

(2) no person, other than (i) those persons referred to in paragraph (1) of this subsection (ii) those persons who are entitled to benefits under section 202 (d), (e), (f), or (g) of the Social Security Act but would not be so entitled except for the enactment of section 208 of this Act, is entitled to benefits under such section 202 on the basis of such individual's wages and self-employment income for any subsequent month or for any month after the second month following the month in which this Act is enacted and prior to such subsequent month; and

Ante, p. 949.

(3) the total of the benefits to which all persons referred to in paragraph (1) of this subsection are entitled under section 202 of the Social Security Act on the basis of such individual's wages and self-employment income for such subsequent month exceeds the maximum of benefits payable, as provided in section 203(a) of such Act, on the basis of such wages and self-employment income,

Ante, p. 953.

then the amount of the benefit to which each such person referred to in paragraph (1) of this subsection is entitled for such subsequent month shall be determined—

(4) in case such person is entitled to benefits under section 202 (e), (f), (g), or (h), as though this section and section 208 had not been enacted, or

(5) in case such person is entitled to benefits under section 202(d), as though (i) no person is entitled to benefits under section 202 (e), (f), (g), or (h) for such subsequent month, and (ii) the maximum of benefits payable, as described in paragraph (3), is such maximum less the amount of each person's benefit for such month determined pursuant to paragraph (4).



## MAXIMUM FAMILY BENEFITS IN CERTAIN CASES

42 USC 403.

SEC. 302. (a) Section 203(a)(3) of the Social Security Act is amended—

(1) by striking out “and is not less than \$68, then such total of benefits shall not be reduced to less than the smaller of” and inserting in lieu thereof “, then such total of benefits shall not be reduced to less than \$99.10 if such primary insurance amount is \$66, to less than \$102.40 if such primary insurance amount is \$67, to less than \$106.50 if such primary insurance amount is \$68, or, if such primary insurance amount is higher than \$68, to less than the smaller of”; and

(2) by striking out “the last figure in column V of the table appearing in section 215(a)” and inserting in lieu thereof “the amount determined under this subsection without regard to this paragraph, or \$206.60, whichever is larger”.

42 USC 402, 423.

(b) The amendments made by subsection (a) shall apply only in the case of monthly benefits under section 202 or section 223 of the Social Security Act for months after the month following the month in which this Act is enacted, and then only (1) if the insured individual on the basis of whose wages and self-employment income such monthly benefits are payable became entitled (without the application of section 202(j)(1) or section 223(b) of such Act) to benefits under section 202(a) or section 223 of such Act after the month following the month in which this Act is enacted, or (2) if such insured individual died before becoming so entitled and no person was entitled (without the application of section 202(j)(1) or section 223(b) of such Act) on the basis of such wages and self-employment income to monthly benefits under title II of the Social Security Act for the month following the month in which this Act is enacted or any prior month.

Post, p. 967.

## COMPUTATIONS AND RECOMPUTATIONS OF PRIMARY INSURANCE AMOUNTS

42 USC 415.

SEC. 303. (a) Section 215(b) of the Social Security Act is amended to read as follows:

“(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 the purposes of subparagraph (B), ‘computation base years’ include only calendar years occurring—

“(i) after December 31, 1950, and

“(ii) prior to the year in which the individual became entitled to old-age insurance benefits or died, whichever first occurred; except that the year in which the individual became entitled to old-age insurance benefits or died, as the case may be, shall be included as a computation base year if the Secretary determines, on the basis of

evidence available to him at the time of the computation of the primary insurance amount for such individual, that the inclusion of such year would result in a higher primary insurance amount. Any calendar year all of which is included in a period of disability shall not be included as a computation base year.

“(3) For the purposes of paragraph (2), an individual’s ‘elapsed years’ shall be the number of calendar years—

“(A) after (i) December 31, 1950, or (ii) if later, December 31 of the year in which he attained the age of twenty-one, and

“(B) prior to (i) the year in which he died, or (ii) if earlier, the first year after December 31, 1960, in which he both was fully insured and had attained retirement age.

For the 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 with respect to whom not less than six of the quarters elapsing after 1950 are quarters of coverage, and—

“(A) who becomes entitled to benefits after December 1960 under section 202(a) or section 223; or

42 USC 402, 423.

“(B) who dies after December 1960 without being entitled to benefits under section 202(a) or section 223; or

“(C) who files an application for a recomputation under subsection (f) (2) (A) after December 1960 and is (or would, but for the provisions of subsection (f) (6), be) entitled to have his primary insurance amount recomputed under subsection (f) (2) (A); or

“(D) who dies after December 1960 and whose survivors are (or would, but for the provisions of subsection (f) (6), be) entitled to a recomputation of his primary insurance amount under subsection (f) (4).

“(5) In the case of any individual—

“(A) to whom the provisions of this subsection are not made applicable by paragraph (4), but

“(B) (i) prior to 1961, met the requirements of this paragraph (including subparagraph (E) thereof) as in effect prior to the enactment of the Social Security Amendments of 1960, or (ii) after 1960, meets the conditions of subparagraph (E) of this paragraph as in effect prior to such enactment,

then the provisions of this subsection as in effect prior to such enactment shall apply to such individual for the purposes of column III of the table appearing in subsection (a) of this section.”

(b) Section 215(c)(2)(B) of such Act is amended to read as follows:

42 USC 415.

“(B) to whom the provisions of neither paragraph (4) nor paragraph (5) of subsection (b) are applicable.”

(c)(1) Section 215(d)(1)(A) of such Act is amended to read as follows:

“(A) In the computation of such benefit, such individual’s average monthly wage shall (in lieu of being determined under section 209(f) of this title as in effect prior to the enactment of such amendments) be determined as provided in subsection (b) of this section (but without regard to paragraphs (4) and (5) thereof), except that for the purposes of paragraphs (2)(C)(i) and (3)(A)(i) of subsection (b), December 31, 1936, shall be used instead of December 31, 1950.”

(2) Section 215(d)(1)(C) of such Act is amended by striking out “any part” and inserting in lieu thereof “all”; and by striking out the last sentence thereof.

42 USC 415.

(3) Section 215(d)(2)(B) of such Act is amended by striking out "paragraph (5)" and inserting in lieu thereof "paragraph (4)".

(4) Section 215(d) of such Act is further amended by adding at the end thereof the following new paragraph:

"(3) The provisions of this subsection as in effect prior to the enactment of the Social Security Amendments of 1960 shall be applicable in the case of an individual who meets the requirements of subsection (b)(5) (as in effect after such enactment) but without regard to whether such individual has six quarters of coverage after 1950."

42 USC 402.

(d)(1) Effective with respect to individuals who become entitled to benefits under section 202(a) of the Social Security Act after 1960, section 215(e)(3) of such Act is amended to read as follows:

"(3) if an individual has self-employment income in a taxable year which begins prior to the calendar year in which he becomes entitled to old-age insurance benefits and ends after the last day of the month preceding the month in which he becomes so entitled, his self-employment income in such taxable year shall not be counted in determining his benefit computation years, except as provided in subsection (f)(3)(C)."

(2) Effective with respect to individuals who meet any of the subparagraphs of paragraph (4) of section 215(b) of the Social Security Act, as amended by this Act, section 215(e) of the Social Security Act is further amended by inserting "and" after the semicolon at the end of paragraph (2) and by striking out paragraph (4).

(e)(1) Effective with respect to applications for recomputation under section 215(f)(2) of the Social Security Act filed after 1960, section 215(f)(2) of such Act is amended by striking out "1954" the first time it appears and inserting in lieu thereof "1960", and by striking out "no earlier than six months" in subparagraph (A)(iii).

(2) Section 215(f)(2)(B) of such Act is amended to read as follows:

"(B) A recomputation pursuant to subparagraph (A) shall be made—

"(i) only as provided in subsection (a)(1), if the provisions of subsection (b), as amended by the Social Security Amendments of 1960, were applicable to the last previous computation of the individual's primary insurance amount, or

"(ii) as provided in subsection (a)(1) and (3), in all other cases.

Such recomputation shall be made as though the individual became entitled to old-age insurance benefits in the month in which he filed the application for such recomputation, except that if clause (i) of this subparagraph is applicable to such recomputation, the computation base years referred to in subsection (b)(2) shall include only calendar years occurring prior to the year in which he filed his application for such recomputation."

(3) Section 215(f)(3) of such Act is amended to read as follows:

"(3)(A) Upon application by an individual—

"(i) who became entitled to old-age insurance benefits under section 202(a) after December 1960, or

"(ii) whose primary insurance amount was recomputed as provided in paragraph (2)(B)(ii) of this subsection on the basis of an application filed after December 1960,

the Secretary shall recompute his primary insurance amount if such application is filed after the calendar year in which he became entitled to old-age insurance benefits or in which he filed application for the recomputation of his primary insurance amount under clause (ii) of this sentence, whichever is the later. Such recomputation under this subparagraph shall be made as provided in subsection (a)(1) and (3)

of this section, except that such individual's computation base years referred to in subsection (b) (2) shall include the calendar year referred to in the preceding sentence. Such recomputation under this subparagraph shall be effective for and after the first month for which his last previous computation of his primary insurance amount was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

“(B) In the case of an individual who dies after December 1960 and—

“(i) who, at the time of death was not entitled to old-age insurance benefits under section 202(a), or

42 USC 402.

“(ii) who became entitled to such old-age insurance benefits after December 1960, or

“(iii) whose primary insurance amount was recomputed under paragraph (2) of this subsection on the basis of an application filed after December 1960, or

“(iv) whose primary insurance amount was recomputed under paragraph (4) of this subsection,

the Secretary shall recompute his primary insurance amount upon the filing of an application by a person entitled to monthly benefits or a lump-sum death payment on the basis of such individual's wages and self-employment income. Such recomputation shall be made as provided in subsection (a) (1) and (3) of this section, except that such individual's computation base years referred to in subsection (b) (2) shall include the calendar year in which he died in the case of an individual who was not entitled to old-age insurance benefits at the time of death or whose primary insurance amount was recomputed under paragraph (4) of this subsection, or in all other cases, the calendar year in which he filed his application for the last previous computation of his primary insurance amount. In the case of monthly benefits, such recomputation shall be effective for and after the month in which the person entitled to such monthly benefits became so entitled, but in no event for any month prior to the twenty-fourth month before the month in which the application for such recomputation is filed.

“(C) In the case of an individual who becomes entitled to old-age insurance benefits in a calendar year after 1960, if such individual has self-employment income in a taxable year which begins prior to such calendar year and ends after the last day of the month preceding the month in which he became so entitled, the Secretary shall recompute such individual's primary insurance amount after the close of such taxable year and shall take into account in determining the individual's benefit computation years only such self-employment income in such taxable year as is credited, pursuant to section 212, to the year preceding the year in which he became so entitled. Such recomputation shall be effective for and after the first month in which he became entitled to old-age insurance benefits.”

42 USC 412.

(4) (A) Section 215(f) (4) of such Act is amended by striking out “1954” in the first sentence and inserting in lieu thereof “1960”, and by striking out the second and third sentences and inserting in lieu thereof the following: “If the recomputation is permitted by subparagraph (A), the recomputation shall be made (if at all) as though he had filed application for a recomputation under paragraph (2) (A) in the month in which he died. If the recomputation is permitted by subparagraph (B), the recomputation shall take into account only the wages and self-employment income which were considered in the last previous computation of his primary insurance amount and the compensation (described in section 205(o)) paid to him in the years in which such wages were paid or to which such self-employment income was credited.”

42 USC 405.



*Ante*, p. 963.

42 USC 423.  
*Post*, p. 967.

42 USC 415.

*Ante*, p. 961.

42 USC 401 et  
seq.

*Post*, pp. 967,  
968.

42 USC 402.

(B) Effective in the case of deaths occurring on or after the date of the enactment of this Act, the first sentence of such section 215 (f) (4) is further amended by striking out "(without the application of clause (iii) thereof)".

(f) Effective with respect to individuals who become entitled to benefits under section 223 of the Social Security Act after 1960, section 223(a) (2) of such Act (as amended by section 402(b) of this Act) is amended to read as follows:

"(2) Such individual's disability insurance benefit for any month shall be equal to his primary insurance amount for such month determined under section 215 as though he had attained retirement age in—

"(A) the first month of his waiting period, or

"(B) in any case in which clause (ii) of paragraph (1) of this subsection is applicable, the first month for which he becomes entitled to such disability insurance benefits,

and as though he had become entitled to old-age insurance benefits in the month in which he filed his application for disability insurance benefits. For the purposes of the preceding sentence, in the case of a woman who both was fully insured and had attained retirement age in or before the first month referred to in subparagraph (A) or (B) of such sentence, as the case may be, the elapsed years referred to in section 215(b) (3) shall not include the first year in which she both was fully insured and had attained retirement age, or any year thereafter."

(g) (1) In the case of any individual who both was fully insured and had attained retirement age prior to 1961 and (A) who becomes entitled to old-age insurance benefits after 1960, or (B) who dies after 1960 without being entitled to such benefits, then, notwithstanding the amendments made by the preceding subsections of this section, the Secretary shall also compute such individual's primary insurance amount on the basis of such individual's average monthly wage determined under the provisions of section 215 of the Social Security Act in effect prior to the enactment of this Act with a closing date determined under section 215(b) (3) (B) of such Act as then in effect, but only if such closing date would have been applicable to such computation had this section not been enacted. If the primary insurance amount resulting from the use of such an average monthly wage is higher than the primary insurance amount resulting from the use of an average monthly wage determined pursuant to the provisions of section 215 of the Social Security Act, as amended by the Social Security Amendments of 1960, such higher primary insurance amount shall be the individual's primary insurance amount for purposes of such section 215. The terms used in this subsection shall have the meaning assigned to them by title II of the Social Security Act.

(2) Notwithstanding the amendments made by the preceding subsections of this section, in the case of any individual who was entitled (without regard to the provisions of section 223(b) of the Social Security Act) to a disability insurance benefit under such section 223 for the month before the month in which he became entitled to an old-age insurance benefit under section 202(a) of such Act, or in which he died, and such disability insurance benefit was based upon a primary insurance amount determined under the provisions of section 215 of the Social Security Act in effect prior to the enactment of this Act, the Secretary shall, in applying the provisions of such section 215(a) (except paragraph (4) thereof), for purposes of determining benefits payable under section 202 of such Act on the basis of such individual's wages and self-employment income, determine such individual's average monthly wage under the provisions of section 215 of the Social Security Act in effect prior to the enactment of this Act.

The provisions of this paragraph shall not apply with respect to any such individual, entitled to such old-age insurance benefits, (i) who applies, after 1960, for a recomputation (to which he is entitled) of his primary insurance amount under section 215(f)(2) of such Act, or (ii) who dies after 1960 and meets the conditions for a recomputation of his primary insurance amount under section 215(f)(4) of such Act.

*Ante*, pp. 962, 963.

(h) In any case where application for recomputation under section 215(f)(3) of the Social Security Act is filed on or after the date of the enactment of this Act with respect to an individual for whom the last previous computation of the primary insurance amount was based on an application filed prior to 1961, or who died before 1961, the provisions of section 215 of such Act as in effect prior to the enactment of this Act shall apply except that—

*Ante*, p. 962.

(1) such recomputation shall be made as provided in section 215(a) of the Social Security Act (as in effect prior to the enactment of this Act) and as though such individual first became entitled to old-age insurance benefits in the month in which he filed his application for such recomputation or died without filing such an application, and his closing date for such purposes shall be as specified in such section 215(f)(3); and

(2) the provisions of section 215(b)(4) of the Social Security Act (as in effect prior to the enactment of this Act) shall apply only if they were applicable to the last previous computation of such individual's primary insurance amount, or would have been applicable to such computation if there had been taken into account—

*Ante*, p. 961.

(A) his wages and self-employment income in the year in which he became entitled to old-age insurance benefits or filed application for the last previous recomputation of his primary insurance amount, where he is living at the time of the application for recomputation under this subsection, or

(B) his wages and self-employment income in the year in which he died without becoming entitled to old-age insurance benefits, or (if he was entitled to such benefits) the year in which application was filed for the last previous computation of his primary insurance amount or in which he died, whichever first occurred, where he has died at the time of the application for such recomputation.

If the primary insurance amount of an individual was recomputed under section 215(f)(3) of the Social Security Act as in effect prior to the enactment of this Act, and such amount would have been larger if the recomputation had been made under such section as modified by this subsection, then the Secretary shall recompute such primary insurance amount under such section as so modified, but only if an application for such recomputation is filed on or after the date of the enactment of this Act. A recomputation under the preceding sentence shall be effective for and after the first month for which the last previous recomputation of such individual's primary insurance amount under such section 215 was effective, but in no event for any month prior to the twenty-fourth month before the month in which the application for a recomputation is filed under the preceding sentence.

(i)(1) In the case of an application for a recomputation under section 215(f)(2) of the Social Security Act filed after 1954 and prior to 1961, the provisions of section 215(f)(2) of such Act in effect prior to the enactment of this Act shall apply.

(2) In the case of an individual who died after 1954 and prior to 1961 and who was entitled to an old-age insurance benefit under sec-

42 USC 402.  
*Ante*, p. 963.

tion 202(a) at the time of his death, the provisions of section 215(f) (4) of the Social Security Act in effect prior to the enactment of this Act shall apply.

*Ante*, p. 960.

(j) In the case of an individual whose average monthly wage is computed under the provisions of section 215(b) of the Social Security Act, as amended by this Act, and—

*Post*, p. 967.

(1) who is entitled, by reason of the provisions of section 202(j) (1) or section 223(b) of the Social Security Act, to a monthly benefit for any month prior to January 1961, or

(2) who is (or would, but for the fact that such recomputation would not result in a higher primary insurance amount for such individual, be) entitled, by reason of section 215(f) of the Social Security Act, to have his primary insurance amount recomputed effective for a month prior to January 1961,

his average monthly wage as determined under the provisions of such section 215(b) shall be his average monthly wage for the purposes of determining his primary insurance amount for such prior month.

68 Stat. 1070.  
 42 USC 415, note.

(k) Section 102(f) (2) (B) of the Social Security Amendments of 1954 is amended by inserting after "Social Security Act" in the second sentence thereof "as in effect prior to the enactment of the Social Security Amendments of 1960"; and by striking out "bond" and inserting in lieu thereof "month".

#### ELIMINATION OF CERTAIN OBSOLETE RECOMPUTATIONS

42 USC 415.

SEC. 304. (a) The first sentence of section 215(f) (5) of the Social Security Act is amended by striking out "after the close of such taxable year by such individual or (if he died without filing such application)" and inserting in lieu thereof the following: "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)".

42 USC 415, note.

(b) Section 102(e) (5) of the Social Security Amendments of 1954 is amended by adding at the end thereof the following new subparagraph:

"(D) Notwithstanding the provisions of subparagraphs (A), (B), and (C), the primary insurance amount of an individual shall not be recomputed under such provisions unless such individual files the application referred to in subparagraph (A) or (B) prior to January 1961 or, if he dies without filing such application, his death occurred prior to January 1961."

42 USC 415, note.

(c) Section 102(e) (8) of the Social Security Amendments of 1954 is amended by inserting before the period at the end thereof "but only if such individual files the application referred to in subparagraph (A) of such section prior to January 1961 or (if he dies without filing such application) his death occurred prior to January 1961".

66 Stat. 775.  
 42 USC 417, note.

(d) Section 5(c) (1) of the Social Security Act Amendments of 1952 is amended by adding at the end thereof the following new sentence: "Notwithstanding the preceding provisions of this paragraph, the primary insurance amount of an individual shall not be recomputed under such provisions unless such individual files the application referred to in clause (A) of the first sentence of this paragraph prior to January 1961 or, if he dies without filing such application, his death occurred prior to January 1961."

## TITLE IV—DISABILITY INSURANCE BENEFITS AND THE DISABILITY FREEZE

### ELIMINATION OF REQUIREMENT OF ATTAINMENT OF AGE FIFTY FOR DISABILITY INSURANCE BENEFITS

SEC. 401. (a) Section 223(a)(1)(B) of the Social Security Act is amended by striking out "has attained the age of fifty and".

42 USC 423.

(b) The last sentence of section 223(c)(3) of such Act is amended by striking out the semicolon and all that follows and inserting in lieu thereof a period.

(c) The amendments made by this section shall apply only with respect to monthly benefits under sections 202 and 223 of the Social Security Act for months after the month following the month in which this Act is enacted which are based on the wages and self-employment income of an individual who did not attain the age of fifty in or prior to the month following the month in which this Act is enacted, but only where applications for such benefits are filed in or after the month in which this Act is enacted.

42 USC 402.

### ELIMINATION OF THE WAITING PERIOD FOR DISABILITY INSURANCE BENEFITS IN CERTAIN CASES

SEC. 402. (a) Section 223(a)(1) of the Social Security Act is amended by striking out "shall be entitled to a disability insurance benefit for each month, beginning with the first month after his waiting period (as defined in subsection (c)(3)) in which he becomes so entitled to such insurance benefits" and inserting in lieu thereof the following: "shall be entitled to a disability insurance benefit (i) for each month beginning with the first month after his waiting period (as defined in subsection (c)(3)) in which he becomes so entitled to such insurance benefits, or (ii) for each month beginning with 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 entitled to disability insurance benefits which terminated, or had a period of disability (as defined in section 216(i)) which ceased, within the 60-month period preceding the first month in which he is under such disability."

42 USC 416.

(b) Section 223(a)(2) of such Act is amended to read as follows:

Ante, p. 964.

"(2) Such individual's disability insurance benefit for any month shall be equal to his primary insurance amount for such month determined under section 215 as though he became entitled to old-age insurance benefits in—

42 USC 415.

"(A) the first month of his waiting period, or

"(B) in any case in which clause (ii) of paragraph (1) of this subsection is applicable, the first month for which he becomes so entitled to such disability insurance benefits."

(c) The first sentence of section 223(b) of such Act is amended to read as follows: "No application for disability insurance benefits shall be accepted as a valid application for purposes of this section (1) if it is filed more than nine months before the first month for which the applicant becomes entitled to such benefits, or (2) in any case in which clause (ii) of paragraph (1) of subsection (a) is applicable, if it is filed more than six months before the first month for which the applicant becomes entitled to such benefits; and any application filed within such nine months' period or six months' period, as the case may be, shall be deemed to have been filed in such first month."

(d) The second sentence of section 223(b) of such Act is amended by striking out "if he files application therefor" and inserting in lieu



thereof "if he is continuously under a disability after such month and until he files application therefor, and he files such application".

Post, p. 969.

(e) (1) The first sentence of section 216(i) (2) of such Act is amended to read as follows: "The term 'period of disability' means a continuous period (beginning and ending as hereinafter provided in this subsection) during which an individual was under a disability (as defined in paragraph (1)), but only if such period is of not less than six full calendar months' duration or such individual was entitled to benefits under section 223 for one or more months in such period."

42 USC 423.

(2) (A) The fifth sentence of such section 216(i) (2) is amended by inserting "or, in any case in which clause (ii) of section 223(a) (1) is applicable, more than six months before the first month for which such applicant becomes entitled to benefits under section 223," after "(as determined under this paragraph)".

(B) Such section 216(i) (2) is further amended by adding at the end thereof the following new sentence: "Any application for a disability determination which is filed within such three months' period or six months' period shall be deemed to have been filed on such first day or in such first month, as the case may be."

(f) The amendments made by subsections (a) and (b) shall apply only with respect to benefits under section 223 of the Social Security Act for the month in which this Act is enacted and subsequent months. The amendment made by subsection (c) shall apply only in the case of applications for benefits under such section 223 filed after the seventh month before the month in which this Act is enacted. The amendment made by subsection (d) shall apply only in the case of applications for benefits under such section 223 filed in or after the month in which this Act is enacted. The amendment made by subsection (e) shall apply only in the case of individuals who become entitled to benefits under such section 223 in or after the month in which this Act is enacted.

#### PERIOD OF TRIAL WORK BY DISABLED INDIVIDUAL

42 USC 422.

SEC. 403. (a) Section 222 of the Social Security Act is amended by striking out subsection (c) and inserting in lieu thereof the following:

#### "Period of Trial Work

42 USC 402.

"(c) (1) The term 'period of trial work', with respect to an individual entitled to benefits under section 223 or 202(d), means a period of months beginning and ending as provided in paragraphs (3) and (4).

"(2) For purposes of sections 216(i) and 223, any services rendered by an individual during a period of trial work shall be deemed not to have been rendered by such individual in determining whether his disability has ceased in a month during such period. For purposes of this subsection the term 'services' means activity which is performed for remuneration or gain or is determined by the Secretary to be of a type normally performed for remuneration or gain.

"(3) A period of trial work for any individual shall begin with the month in which he becomes entitled to disability insurance benefits; or, in the case of an individual entitled to benefits under section 202(d) who has attained the age of eighteen, with the month in which he becomes entitled to such benefits or the month in which he attains the age of eighteen, whichever is later. Notwithstanding the preceding sentence, no period of trial work may begin for any individual prior to the beginning of the month following the month in which this paragraph is enacted; and no such period may begin for an in-

dividual in a period of disability of such individual in which he had a previous period of trial work.

"(4) A period of trial work for any individual shall end with the close of whichever of the following months is the earlier:

"(A) the ninth month, beginning on or after the first day of such period, in which the individual renders services (whether or not such nine months are consecutive); or

"(B) the month in which his disability (as defined in section 223(c)(2)) ceases (as determined after application of paragraph (2) of this subsection).

42 USC 423.

"(5) In the case of an individual who becomes entitled to benefits under section 223 for any month as provided in clause (ii) of subsection (a)(1) of such section, the preceding provisions of this subsection shall not apply with respect to services in any month beginning with the first month for which he is so entitled and ending with the first month thereafter for which he is not entitled to benefits under section 223."

(b) Section 223(a)(1) of such Act is amended by striking out "the first month in which any of the following occurs: his disability ceases, he dies, or he attains the age of sixty-five" and inserting in lieu thereof "whichever of the following months is the earliest: the month in which he dies, the month in which he attains the age of sixty-five, or the third month following the month in which his disability ceases".

Ante, p. 967.

(c) The fourth sentence of section 216(i)(2) of such Act is amended by striking out "the first month in which either the disability ceases or the individual attains the age of sixty-five" and inserting in lieu thereof "the month preceding whichever of the following months is the earlier: the month in which the individual attains age sixty-five or the third month following the month in which the disability ceases".

(d)(1) The first sentence of section 202(d)(1) of such Act is amended by inserting "or" before "attains the age of eighteen and is not under a disability (as defined in section 223(c)) which began before he attained such age" and by striking out ", or ceases to be under a disability (as so defined) on or after the day on which he attains age eighteen".

Ante, p. 946.

(2) Such section 202(d)(1) is further amended by inserting after the first sentence the following new sentence: "Entitlement of any child to benefits under this subsection shall also end with the month preceding the third month following the month in which he ceases to be under a disability (as so defined) after the month in which he attains age eighteen."

(e)(1) The amendment made by subsection (a) shall be effective only with respect to months beginning after the month in which this Act is enacted.

(2) The amendments made by subsections (b) and (d) shall apply only with respect to benefits under section 223(a) or 202(d) of the Social Security Act for months after the month in which this Act is enacted in the case of individuals who, without regard to such amendments, would have been entitled to such benefits for the month in which this Act is enacted or for any succeeding month.

(3) The amendment made by subsection (c) shall apply only in the case of individuals who have a period of disability (as defined in section 216(i) of the Social Security Act) beginning on or after the date of the enactment of this Act, or beginning before such date and continuing, without regard to such amendment, beyond the end of the month in which this Act is enacted.

## SPECIAL INSURED STATUS TEST IN CERTAIN CASES FOR DISABILITY PURPOSES

42 USC 416.

42 USC 423.

SEC. 404. (a) In the case of any individual who does not meet the requirements of section 216(i)(3) of the Social Security Act with respect to any quarter, or who is not insured for disability insurance benefits as determined under section 223(c)(1) of such Act with respect to any month in a quarter, such individual shall be deemed to have met such requirements with respect to such quarter or to be so insured with respect to such month of such quarter, as the case may be, if—

42 USC 413.

(1) he had a total of not less than twenty quarters of coverage (as defined in section 213 of such Act) during the period ending with the close of such quarter, and

(2) all of the quarters elapsing after 1950 and up to but excluding such quarter were quarters of coverage with respect to him and there were not fewer than six such quarters of coverage.

42 USC 401 et seq.

(b) Subsection (a) shall apply only in the case of applications for disability insurance benefits under section 223 of the Social Security Act, or for disability determinations under section 216(i) of such Act, filed in or after the month in which this Act is enacted, and then only with respect to an individual who, but for such subsection (a), would not meet the requirements for a period of disability under section 216(i) with respect to the quarter in which this Act is enacted or any prior quarter and would not meet the requirements for benefits under section 223 with respect to the month in which this Act is enacted or any prior month. No benefits under title II of the Social Security Act for the month in which this Act is enacted or any prior month shall be payable or increased by reason of the amendment made by such subsection.

## TITLE V—EMPLOYMENT SECURITY

## PART 1—SHORT TITLE

Citation of title.

SEC. 501. This title may be cited as the "Employment Security Act of 1960".

## PART 2—EMPLOYMENT SECURITY ADMINISTRATIVE FINANCING AMENDMENTS

## AMENDMENT OF TITLE IX OF THE SOCIAL SECURITY ACT

68 Stat. 668.

SEC. 521. Title IX of the Social Security Act (42 U.S.C., sec. 1101 and following) is amended to read as follows:

"TITLE IX—MISCELLANEOUS PROVISIONS RELATING TO EMPLOYMENT SECURITY

"EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

"Establishment of Account

"SEC. 901. (a) There is hereby established in the Unemployment Trust Fund an employment security administration account.

"Appropriations to Account

"(b) (1) There is hereby appropriated to the Unemployment Trust Fund for credit to the employment security administration account, out of any moneys in the Treasury not otherwise appropriated, for the fiscal year ending June 30, 1961, and for each fiscal year there-

after, an amount equal to 100 per centum of the tax (including interest, penalties, and additions to the tax) received during the fiscal year under the Federal Unemployment Tax Act and covered into the Treasury.

*Post*, p. 980.

“(2) The amount appropriated by paragraph (1) shall be transferred at least monthly from the general fund of the Treasury to the Unemployment Trust Fund and credited to the employment security administration account. Each such transfer shall be based on estimates made by the Secretary of the Treasury of the amounts received in the Treasury. Proper adjustments shall be made in the amounts subsequently transferred, to the extent prior estimates (including estimates for the fiscal year ending June 30, 1960) were in excess of or were less than the amounts required to be transferred.

“(3) The Secretary of the Treasury is directed to pay from time to time from the employment security administration account into the Treasury, as repayments to the account for refunding internal revenue collections, amounts equal to all refunds made after June 30, 1960, of amounts received as tax under the Federal Unemployment Tax Act (including interest on such refunds).

#### “Administrative Expenditures

“(c) (1) There are hereby authorized to be made available for expenditure out of the employment security administration account for the fiscal year ending June 30, 1961, and for each fiscal year thereafter—

“(A) such amounts (not in excess of \$350,000,000 for any fiscal year) as the Congress may deem appropriate for the purpose of—

“(i) assisting the States in the administration of their unemployment compensation laws as provided in title III (including administration pursuant to agreements under any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended),

42 USC 501-503.

“(ii) the establishment and maintenance of systems of public employment offices in accordance with the Act of June 6, 1933, as amended (29 U.S.C., secs. 49-49n), and

72 Stat. 171.  
42 USC 1400 and note.

“(iii) carrying into effect section 2012 of title 38 of the United States Code;

48 Stat. 113.

“(B) such amounts as the Congress may deem appropriate for the necessary expenses of the Department of Labor for the performance of its functions under—

“(i) this title and titles III and XII of this Act,

42 USC 501-503;  
*Post*, p. 978.

“(ii) the Federal Unemployment Tax Act,

“(iii) the provisions of the Act of June 6, 1933, as amended,

48 Stat. 113.  
29 USC 49-49k.  
72 Stat. 1221.

“(iv) subchapter II of chapter 41 (except section 2012) of title 38 of the United States Code, and

“(v) any Federal unemployment compensation law, except the Temporary Unemployment Compensation Act of 1958, as amended.

“(2) The Secretary of the Treasury is directed to pay from the employment security administration account into the Treasury as miscellaneous receipts the amount estimated by him which will be expended during a three-month period by the Treasury Department for the performance of its functions under—

“(A) this title and titles III and XII of this Act, including the expenses of banks for servicing unemployment benefit payment and clearing accounts which are offset by the maintenance of balances of Treasury funds with such banks,



Post, p. 980.

“(B) the Federal Unemployment Tax Act, and  
 “(C) any Federal unemployment compensation law with respect to which responsibility for administration is vested in the Secretary of Labor.

42 USC 1400.

In determining the expenses taken into account under subparagraphs (B) and (C), there shall be excluded any amount attributable to the Temporary Unemployment Compensation Act of 1958, as amended. If it subsequently appears that the estimates under this paragraph in any particular period were too high or too low, appropriate adjustments shall be made by the Secretary of the Treasury in future payments.

#### “Additional Tax Attributable to Reduced Credits

“(d) (1) The Secretary of the Treasury is directed to transfer from the employment security administration account—

“(A) To the Federal unemployment account, an amount equal to the amount by which—

Post, p. 978.

“(i) 100 per centum of the additional tax received under the Federal Unemployment Tax Act with respect to any State by reason of the reduced credits provisions of section 3302(c) (2) or (3) of such Act and covered into the Treasury for the repayment of advances made to the State under section 1201, exceeds

“(ii) the amount transferred to the account of such State pursuant to subparagraph (B) of this paragraph.

Any amount transferred pursuant to this subparagraph shall be credited against, and shall operate to reduce, that balance of advances, made under section 1201 to the State, with respect to which employers paid such additional tax.

“(B) To the account (in the Unemployment Trust Fund) of the State with respect to which employers paid such additional tax, an amount equal to the amount by which such additional tax received and covered into the Treasury exceeds that balance of advances, made under section 1201 to the State, with respect to which employers paid such additional tax.

If, for any taxable year, there is with respect to any State both a balance described in section 3302(c) (2) of the Federal Unemployment Tax Act and a balance described in section 3302(c) (3) of such Act, this paragraph shall be applied separately with respect to section 3302(c) (2) (and the balance described therein) and separately with respect to section 3302(c) (3) (and the balance described therein).

“(2) The Secretary of the Treasury is directed to transfer from the employment security administration account—

“(A) To the general fund of the Treasury, an amount equal to the amount by which—

42 USC 1400c.

“(i) 100 per centum of the additional tax received under the Federal Unemployment Tax Act with respect to any State by reason of the reduced credit provision of section 104 of the Temporary Unemployment Compensation Act of 1958, as amended, and covered into the Treasury, exceeds

“(ii) the amount transferred to the account of such State pursuant to subparagraph (B) of this paragraph.

“(B) To the account (in the Unemployment Trust Fund) of the State with respect to which employers paid such additional tax, an amount equal to the amount by which—

“(i) such additional tax received and covered into the Treasury, exceeds

“(ii) the total amount restorable to the Treasury under section 104 of the Temporary Unemployment Compensation Act of 1958, as amended, as limited by Public Law 85-457.

“(3) Transfers under this subsection shall be as of the beginning of the month succeeding the month in which the moneys were credited to the employment security administration account pursuant to subsection (b) (2).

#### “Revolving Fund

“(e) (1) There is hereby established in the Treasury a revolving fund which shall be available to make the advances authorized by this subsection. There are hereby authorized to be appropriated, without fiscal year limitation, to such revolving fund such amounts as may be necessary for the purposes of this section.

“(2) The Secretary of the Treasury is directed to advance from time to time from the revolving fund to the employment security administration account such amounts as may be necessary for the purposes of this section. If the net balance in the employment security administration account as of the beginning of any fiscal year is \$250,000,000, no advance may be made under this subsection during such fiscal year.

“(3) Advances to the employment security administration account made under this subsection shall bear interest until repaid at a rate equal to the average rate of interest (computed as of the end of the calendar month next preceding the date of such advance) borne by all interest-bearing obligations of the United States then forming a part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest shall be the multiple of one-eighth of 1 per centum next lower than such average rate.

“(4) Advances to the employment security administration account made under this subsection, plus interest accrued thereon, shall be repaid by the transfer from time to time, from the employment security administration account to the revolving fund, of such amounts as the Secretary of the Treasury, in consultation with the Secretary of Labor, determines to be available in the employment security administration account for such repayment. Any amount transferred as a repayment under this paragraph shall be credited against, and shall operate to reduce, any balance of advances (plus accrued interest) repayable under this subsection.

#### “Determination of Excess and Amount To Be Retained in Employment Security Administration Account

“(f) (1) The Secretary of the Treasury shall determine as of the close of each fiscal year (beginning with the fiscal year ending June 30, 1961) the excess in the employment security administration account.

“(2) The excess in the employment security administration account as of the close of any fiscal year is the amount by which the net balance in such account as of such time (after the application of section 902(b)) exceeds the net balance in the employment security administration account as of the beginning of that fiscal year (including the fiscal year for which the excess is being computed) for which the net balance was higher than as of the beginning of any other such fiscal year.

“(3) If the entire amount of the excess determined under paragraph (1) as of the close of any fiscal year is not transferred to the Federal unemployment account, there shall be retained (as of the beginning of the succeeding fiscal year) in the employment security administration account so much of the remainder as does not increase

42 USC 1400c.

72 Stat. 187.

15 USC 633 note.

*Post*, p. 974.

the net balance in such account (as of the beginning of such succeeding fiscal year) above \$250,000,000.

"(4) For the purposes of this section, the net balance in the employment security administration account as of any time is the amount in such account as of such time reduced by the sum of—

"(A) the amounts then subject to transfer pursuant to subsection (d), and

"(B) the balance of advances (plus interest accrued thereon) then repayable to the revolving fund established by subsection (e). The net balance in the employment security administration account as of the beginning of any fiscal year shall be determined after the disposition of the excess in such account as of the close of the preceding fiscal year.

#### "TRANSFERS BETWEEN FEDERAL UNEMPLOYMENT ACCOUNT AND EMPLOYMENT SECURITY ADMINISTRATION ACCOUNT

##### "Transfers to Federal Unemployment Account

*Ante*, p. 973.

"SEC. 902. (a) Whenever the Secretary of the Treasury determines pursuant to section 901(f) that there is an excess in the employment security administration account as of the close of any fiscal year, there shall be transferred (as of the beginning of the succeeding fiscal year) to the Federal unemployment account the total amount of such excess or so much thereof as is required to increase the amount in the Federal unemployment account to whichever of the following is the greater:

"(1) \$550,000,000, or

"(2) The amount (determined by the Secretary of Labor and certified by him to the Secretary of the Treasury) equal to four-tenths of 1 per centum of the total wages subject to contributions under all State unemployment compensation laws for the calendar year ending during the fiscal year for which the excess is determined.

##### "Transfers to Employment Security Administration Account

"(b) The amount, if any, by which the amount in the Federal unemployment account as of the close of any fiscal year exceeds the greater of the amounts specified in paragraphs (1) and (2) of subsection (a) shall be transferred to the employment security administration account as of the close of such fiscal year.

#### "AMOUNTS TRANSFERRED TO STATE ACCOUNTS

##### "In General

*Post*, p. 979.

"SEC. 903. (a)(1) Except as provided in subsection (b), whenever, after the application of section 1203 with respect to the excess in the employment security administration account as of the close of any fiscal year, there remains any portion of such excess, the remainder of such excess shall be transferred (as of the beginning of the succeeding fiscal year) to the accounts of the States in the Unemployment Trust Fund.

"(2) Each State's share of the funds to be transferred under this subsection as of any July 1—

"(A) shall be determined by the Secretary of Labor and certified by him to the Secretary of the Treasury before that date on the basis of reports furnished by the States to the Secretary of Labor before June 1, and

“(B) shall bear the same ratio to the total amount to be so transferred as the amount of wages subject to contributions under such State’s unemployment compensation law during the preceding calendar year which have been reported to the State before May 1 bears to the total of wages subject to contributions under all State unemployment compensation laws during such calendar year which have been reported to the States before May 1.

#### “Limitations on Transfers

“(b) (1) If the Secretary of Labor finds that on July 1 of any fiscal year—

“(A) a State is not eligible for certification under section 303, or

42 USC 503.

“(B) the law of a State is not approvable under section 3304 of the Federal Unemployment Tax Act,

Post, p. 986.

then the amount available for transfer to such State’s account shall, in lieu of being so transferred, be transferred to the Federal unemployment account as of the beginning of such July 1. If, during the fiscal year beginning on such July 1, the Secretary of Labor finds and certifies to the Secretary of the Treasury that such State is eligible for certification under section 303, that the law of such State is approvable under such section 3304, or both, the Secretary of the Treasury shall transfer such amount from the Federal unemployment account to the account of such State. If the Secretary of Labor does not so find and certify to the Secretary of the Treasury before the close of such fiscal year then the amount which was available for transfer to such State’s account as of July 1 of such fiscal year shall (as of the close of such fiscal year) become unrestricted as to use as part of the Federal unemployment account.

“(2) The amount which, but for this paragraph, would be transferred to the account of a State under subsection (a) or paragraph (1) of this subsection shall be reduced (but not below zero) by the balance of advances made to the State under section 1201. The sum by which such amount is reduced shall—

Post, p. 978.

“(A) be transferred to or retained in (as the case may be) the Federal unemployment account, and

“(B) be credited against, and operate to reduce—

“(i) first, any balance of advances made before the date of the enactment of the Employment Security Act of 1960 to the State under section 1201, and

“(ii) second, any balance of advances made on or after such date to the State under section 1201.

#### “Use of Transferred Amounts

“(c) (1) Except as provided in paragraph (2), amounts transferred to the account of a State pursuant to subsections (a) and (b) shall be used only in the payment of cash benefits to individuals with respect to their unemployment, exclusive of expenses of administration.

“(2) A State may, pursuant to a specific appropriation made by the legislative body of the State, use money withdrawn from its account in the payment of expenses incurred by it for the administration of its unemployment compensation law and public employment offices if and only if—

“(A) the purposes and amounts were specified in the law making the appropriation,

“(B) the appropriation law did not authorize the obligation of such money after the close of the two-year period which began on the date of enactment of the appropriation law,



“(C) the money is withdrawn and the expenses are incurred after such date of enactment, and

“(D) the appropriation law limits the total amount which may be obligated during a fiscal year to an amount which does not exceed the amount by which (i) the aggregate of the amounts transferred to the account of such State pursuant to subsections (a) and (b) during such fiscal year and the four preceding fiscal years, exceeds (ii) the aggregate of the amounts used by the State pursuant to this subsection and charged against the amounts transferred to the account of such State during such five fiscal years.

For the purposes of subparagraph (D), amounts used by a State during any fiscal year shall be charged against equivalent amounts which were first transferred and which have not previously been so charged; except that no amount obligated for administration during any fiscal year may be charged against any amount transferred during a fiscal year earlier than the fourth preceding fiscal year.

#### “UNEMPLOYMENT TRUST FUND

“Establishment, etc.

“SEC. 904. (a) There is hereby established in the Treasury of the United States a trust fund to be known as the ‘Unemployment Trust Fund’, hereinafter in this title called the ‘Fund’. The Secretary of the Treasury is authorized and directed to receive and hold in the Fund all moneys deposited therein by a State agency from a State unemployment fund, or by the Railroad Retirement Board to the credit of the railroad unemployment insurance account or the railroad unemployment insurance administration fund, or otherwise deposited in or credited to the Fund or any account therein. Such deposit may be made directly with the Secretary of the Treasury, with any depository designated by him for such purpose, or with any Federal Reserve Bank.

#### “Investments

“(b) It shall be the duty of the Secretary of the Treasury to invest such portion of the Fund as is not, in his judgment, required to meet current withdrawals. Such investment may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of special obligations exclusively to the Fund. Such special obligations shall bear interest at a rate equal to the average rate of interest, computed as of the end of the calendar month next preceding the date of such issue, borne by all interest-bearing obligations of the United States then forming part of the public debt; except that where such average rate is not a multiple of one-eighth of 1 per centum, the rate of interest of such special obligations shall be the multiple of one-eighth of 1 per centum next lower than such average rate. Obligations other than such special obligations may be acquired for the Fund only on such terms as to provide an investment yield not less than the yield which would be required in the case of special obligations if issued to the Fund upon the date of such acquisition. Advances made to the Federal unemployment account pursuant to section 1203 shall not be invested.

### "Sale or Redemption of Obligations

"(c) Any obligations acquired by the Fund (except special obligations issued exclusively to the Fund) may be sold at the market price, and such special obligations may be redeemed at par plus accrued interest.

### "Treatment of Interest and Proceeds

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

### "Separate Book Accounts

"(e) The Fund shall be invested as a single fund, but the Secretary of the Treasury shall maintain a separate book account for each State agency, the employment security administration account, the Federal unemployment account, the railroad unemployment insurance account, and the railroad unemployment insurance administration fund and shall credit quarterly (on March 31, June 30, September 30, and December 31, of each year) to each account, on the basis of the average daily balance of such account, a proportionate part of the earnings of the Fund for the quarter ending on such date. For the purpose of this subsection, the average daily balance shall be computed—

"(1) in the case of any State account, by reducing (but not below zero) the amount in the account by the balance of advances made to the State under section 1201, and

"(2) in the case of the Federal unemployment account—

"(A) by adding to the amount in the account the aggregate of the reductions under paragraph (1), and

"(B) by subtracting from the sum so obtained the balance of advances made under section 1203 to the account.

*Post*, pp. 978, 979.

### "Payments to State Agencies and Railroad Retirement Board

"(f) The Secretary of the Treasury is authorized and directed to pay out of the Fund to any State agency such amount as it may duly requisition, not exceeding the amount standing to the account of such State agency at the time of such payment. The Secretary of the Treasury is authorized and directed to make such payments out of the railroad unemployment insurance account for the payment of benefits, and out of the railroad unemployment insurance administration fund for the payment of administrative expenses, as the Railroad Retirement Board may duly certify, not exceeding the amount standing to the credit of such account or such fund, as the case may be, at the time of such payment.

### "Federal Unemployment Account

"(g) There is hereby established in the Unemployment Trust Fund a Federal unemployment account. There is hereby authorized to be appropriated to such Federal unemployment account a sum equal to (1) the excess of taxes collected prior to July 1, 1946, under title IX of this Act or under the Federal Unemployment Tax Act, over the total unemployment administrative expenditures made prior to July 1, 1946, plus (2) the excess of taxes collected under the Federal Unemployment Tax Act after June 30, 1946, and prior to July 1, 1953, over the unemployment administrative expenditures made after June 30, 1946, and prior to July 1, 1953. As used in this subsection, the term 'unemployment administrative expenditures' means expenditures for grants under title III of this Act, expenditures for the

*Ante*, p. 970.

42 USC 501-503.

*Ante*, p. 970.

*Post*, p. 980.

42 U.S.C. 1103  
note.

52 Stat. 1105.  
45 USC 361.

administration of that title by the Social Security Board, the Federal Security Administrator, or the Secretary of Labor, and expenditures for the administration of title IX of this Act, or of the Federal Unemployment Tax Act, by the Department of the Treasury, the Social Security Board, the Federal Security Administrator, or the Secretary of Labor. For the purposes of this subsection, there shall be deducted from the total amount of taxes collected prior to July 1, 1943, under title IX of this Act, the sum of \$40,561,886.43 which was authorized to be appropriated by the Act of August 24, 1937 (50 Stat. 754), and the sum of \$18,451,846 which was authorized to be appropriated by section 11(b) of the Railroad Unemployment Insurance Act."

#### AMENDMENT OF TITLE XII OF THE SOCIAL SECURITY ACT

SEC. 522. (a) Title XII of the Social Security Act (42 U.S.C., sec. 1321 and following) is amended to read as follows:

### "TITLE XII—ADVANCES TO STATE UNEMPLOYMENT FUNDS

#### "ADVANCES TO STATE UNEMPLOYMENT FUNDS

"SEC. 1201. (a) (1) Advances shall be made to the States from the Federal unemployment account in the Unemployment Trust Fund as provided in this section, and shall be repayable, without interest, in the manner provided in sections 901(d)(1), 903(b)(2), and 1202. An advance to a State for the payment of compensation in any month may be made if—

"(A) the Governor of the State applies therefor no earlier than the first day of the preceding month, and

"(B) he furnishes to the Secretary of Labor his estimate of the amount of an advance which will be required by the State for the payment of compensation in such month.

"(2) In the case of any application for an advance under this section to any State for any month, the Secretary of Labor shall—

"(A) determine the amount (if any) which he finds will be required by such State for the payment of compensation in such month, and

"(B) certify to the Secretary of the Treasury the amount (not greater than the amount estimated by the Governor of the State) determined under subparagraph (A).

The aggregate of the amounts certified by the Secretary of Labor with respect to any month shall not exceed the amount which the Secretary of the Treasury reports to the Secretary of Labor is available in the Federal unemployment account for advances with respect to such month.

"(3) For purposes of this subsection—

"(A) an application for an advance shall be made on such forms, and shall contain such information and data (fiscal and otherwise) concerning the operation and administration of the State unemployment compensation law, as the Secretary of Labor deems necessary or relevant to the performance of his duties under this title,

"(B) the amount required by any State for the payment of compensation in any month shall be determined with due allowance for contingencies and taking into account all other amounts that will be available in the State's unemployment fund for the payment of compensation in such month, and

*Ante*, pp. 972,  
975.

“(C) the term ‘compensation’ means cash benefits payable to individuals with respect to their unemployment, exclusive of expenses of administration.

“(b) The Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of the State in the Unemployment Trust Fund the amount certified under subsection (a) by the Secretary of Labor (but not exceeding that portion of the balance in the Federal unemployment account at the time of the transfer which is not restricted as to use pursuant to section 903(b)(1)).

*Ante*, p. 975.

#### “REPAYMENT BY STATES OF ADVANCES TO STATE UNEMPLOYMENT FUNDS

“SEC. 1202. The Governor of any State may at any time request that funds be transferred from the account of such State to the Federal unemployment account in repayment of part or all of that balance of advances, made to such State under section 1201, specified in the request. The Secretary of Labor shall certify to the Secretary of the Treasury the amount and balance specified in the request; and the Secretary of the Treasury shall promptly transfer such amount in reduction of such balance.

#### “ADVANCES TO FEDERAL UNEMPLOYMENT ACCOUNT

“SEC. 1203. There are hereby authorized to be appropriated to the Federal unemployment account, as repayable advances (without interest), such sums as may be necessary to carry out the purposes of this title. Whenever, after the application of section 901(f)(3) with respect to the excess in the employment security administration account as of the close of any fiscal year, there remains any portion of such excess, so much of such remainder as does not exceed the balance of advances made pursuant to this section shall be transferred to the general fund of the Treasury and shall be credited against, and shall operate to reduce, such balance of advances.

*Ante*, p. 973.

#### “DEFINITION OF GOVERNOR

“SEC. 1204. When used in this title, the term ‘Governor’ includes the Commissioners of the District of Columbia.”

(b)(1) No amount shall be transferred on or after the date of the enactment of this Act from the Federal unemployment account to the account of any State in the Unemployment Trust Fund pursuant to any application made under section 1201(a) of the Social Security Act as in effect before such date; except that, if—

(A) some but not all of an amount certified by the Secretary of Labor to the Secretary of the Treasury for transfer to the account of any State was transferred to such account before such date, and

(B) the Governor of such State, after the date of the enactment of this Act, requests the Secretary of the Treasury to transfer all or any part of the remainder to such account,

the Secretary of the Treasury shall, prior to audit or settlement by the General Accounting Office, transfer from the Federal unemployment account to the account of such State in the Unemployment Trust Fund the amount so requested or (if smaller) the amount available in the Federal unemployment account at the time of the transfer. No such amount shall be transferred under this paragraph after the one-year period beginning on the date of the enactment of this Act.

(2) For purposes of section 3302(c) of the Federal Unemployment Tax Act and titles IX and XII of the Social Security Act, if any

*Post*, p. 980.

*Ante*, pp. 970, 978.



amount is transferred pursuant to paragraph (1) to the unemployment account of any State, such amount shall be treated as an advance made before the date of the enactment of this Act.

#### AMENDMENTS TO THE FEDERAL UNEMPLOYMENT TAX ACT

##### Increase in Tax Rate

26 USC 3301.

SEC. 523. (a) Section 3301 of the Internal Revenue Code of 1954 (relating to rate of tax under Federal Unemployment Tax Act) is amended—

(1) by striking out "1955" and inserting in lieu thereof "1961", and

(2) by striking out "3 percent" and inserting in lieu thereof "3.1 percent".

##### Computation of Credits Against Tax

26 USC 3302.

(b) Section 3302 of such Code (relating to credits against tax) is amended by striking out subsection (c) and inserting in lieu thereof the following new subsections:

"(c) LIMIT ON TOTAL CREDITS.—

"(1) The total credits allowed to a taxpayer under this section shall not exceed 90 percent of the tax against which such credits are allowable.

"(2) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act before the date of the enactment of the Employment Security Act of 1960, then the total credits (after applying subsections (a) and (b) and paragraph (1) of this subsection) otherwise allowable under this section for the taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

"(A) in the case of a taxable year beginning with the fourth consecutive January 1 as of the beginning of which there is a balance of such advances, by 5 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

"(B) in the case of any succeeding taxable year beginning with a consecutive January 1 as of the beginning of which there is a balance of such advances, by an additional 5 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State.

"(3) If an advance or advances have been made to the unemployment account of a State under title XII of the Social Security Act on or after the date of the enactment of the Employment Security Act of 1960, then the total credits (after applying subsections (a) and (b) and paragraphs (1) and (2) of this subsection) otherwise allowable under this section for the taxable year in the case of a taxpayer subject to the unemployment compensation law of such State shall be reduced—

"(A) (i) in the case of a taxable year beginning with the second consecutive January 1 as of the beginning of which there is a balance of such advances, by 10 percent of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State; and

*Ante*, pp. 978,  
970.

“(ii) in the case of any succeeding taxable year beginning with a consecutive January 1 as of the beginning of which there is a balance of such advances, by an additional 10 percent, for each such succeeding taxable year, of the tax imposed by section 3301 with respect to the wages paid by such taxpayer during such taxable year which are attributable to such State;

*Ante*, p. 980.

“(B) in the case of a taxable year beginning with the third or fourth consecutive January 1 as of the beginning of which there is a balance of such advances, by the amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage (if any) by which—

“(i) 2.7 percent, exceeds

“(ii) the average employer contribution rate for such State for the calendar year preceding such taxable year; and

“(C) in the case of a taxable year beginning with the fifth or any succeeding consecutive January 1 as of the beginning of which there is a balance of such advances, by the amount determined by multiplying the wages paid by such taxpayer during such taxable year which are attributable to such State by the percentage (if any) by which—

“(i) the 5-year benefit cost rate applicable to such State for such taxable year or (if higher) 2.7 percent, exceeds

“(ii) the average employer contribution rate for such State for the calendar year preceding such taxable year.

“(d) DEFINITIONS AND SPECIAL RULES RELATING TO SUBSECTION (c).—

“(1) RATE OF TAX DEEMED TO BE 3 PERCENT.—In applying subsection (c), the tax imposed by section 3301 shall be computed at the rate of 3 percent in lieu of 3.1 percent.

“(2) WAGES ATTRIBUTABLE TO A PARTICULAR STATE.—For purposes of subsection (c), wages shall be attributable to a particular State if they are subject to the unemployment compensation law of the State, or (if not subject to the unemployment compensation law of any State) if they are determined (under rules or regulations prescribed by the Secretary or his delegate) to be attributable to such State.

“(3) ADDITIONAL TAXES INAPPLICABLE WHERE ADVANCES ARE REPAYED BEFORE NOVEMBER 10 OF TAXABLE YEAR.—Paragraph (2) or (3) of subsection (c) shall not apply with respect to any State for the taxable year if (as of the beginning of November 10 of such year) there is no balance of advances referred to in such paragraph.

“(4) AVERAGE EMPLOYER CONTRIBUTION RATE.—For purposes of subparagraphs (B) and (C) of subsection (c)(3), the average employer contribution rate for any State for any calendar year is that percentage obtained by dividing—

“(A) the total of the contributions paid into the State unemployment fund with respect to such calendar year, by

“(B) the total of the remuneration subject to contributions under the State unemployment compensation law with respect to such calendar year.

For purposes of subparagraph (C) of subsection (c)(3), if the average employer contribution rate for any State for any calendar year (determined without regard to this sentence) equals or exceeds 2.7 percent, such rate shall be determined by increas-

ing the amount taken into account under subparagraph (A) of the preceding sentence by the aggregate amount of employee payments (if any) into the unemployment fund of such State with respect to such calendar year which are to be used solely in the payment of unemployment compensation.

"(5) 5-YEAR BENEFIT COST RATE.—For purposes of subparagraph (C) of subsection (c) (3), the 5-year benefit cost rate applicable to any State for any taxable year is that percentage obtained by dividing—

"(A) one-fifth of the total of the compensation paid under the State unemployment compensation law during the 5-year period ending at the close of the second calendar year preceding such taxable year, by

"(B) the total of the remuneration subject to contributions under the State unemployment compensation law with respect to the first calendar year preceding such taxable year.

"(6) ROUNDING.—If any percentage referred to in either subparagraph (B) or (C) of subsection (c) (3) is not a multiple of .1 percent, it shall be rounded to the nearest multiple of .1 percent.

"(7) DETERMINATION AND CERTIFICATION OF PERCENTAGES.—The percentage referred to in subsection (c) (3) (B) or (C) for any taxable year for any State having a balance referred to therein shall be determined by the Secretary of Labor, and shall be certified by him to the Secretary of the Treasury before June 1 of such year, on the basis of a report furnished by such State to the Secretary of Labor before May 1 of such year. Any such State report shall be made as of the close of March 31 of the taxable year, and shall be made on such forms, and shall contain such information, as the Secretary of Labor deems necessary to the performance of his duties under this section.

"(8) CROSS REFERENCE.—

"For reduction of total credits allowable under subsection (c), see section 104 of the Temporary Unemployment Compensation Act of 1958."

### Effective Date

(c) The amendments made by subsection (a) shall apply only with respect to the calendar year 1961 and calendar years thereafter.

### CONFORMING AMENDMENTS

42 USC 501.

SEC. 524. (a) Section 301 of the Social Security Act is amended to read as follows:

#### "APPROPRIATIONS

Ante, p. 971.

"SEC. 301. The amounts made available pursuant to section 901(c) (1) (A) for the purpose of assisting the States in the administration of their unemployment compensation laws shall be used as hereinafter provided."

42 USC 1400c.

(b) Section 104 of the Temporary Unemployment Compensation Act of 1958, as amended, is amended—

(1) by striking out subsection (b); and

(2) by amending subsection (a) by striking out the heading and "(a)", and by striking out "by December 1" and inserting in lieu thereof "before November 10".

PART 3—EXTENSION OF COVERAGE UNDER UNEMPLOYMENT  
COMPENSATION PROGRAM

FEDERAL INSTRUMENTALITIES

SEC. 531. (a) Section 3305(b) of the Internal Revenue Code of 1954 is amended to read as follows:

26 USC 3305.

“(b) **FEDERAL INSTRUMENTALITIES IN GENERAL.**—The legislature of any State may require any instrumentality of the United States (other than an instrumentality to which section 3306(c)(6) applies), and the individuals in its employ, to make contributions to an unemployment fund under a State unemployment compensation law approved by the Secretary of Labor under section 3304 and (except as provided in section 5240 of the Revised Statutes, as amended (12 U.S.C., sec. 484), and as modified by subsection (c)), to comply otherwise with such law. The permission granted in this subsection shall apply (A) only to the extent that no discrimination is made against such instrumentality, so that if the rate of contribution is uniform upon all other persons subject to such law on account of having individuals in their employ, and upon all employees of such persons, respectively, the contributions required of such instrumentality or the individuals in its employ shall not be at a greater rate than is required of such other persons and such employees, and if the rates are determined separately for different persons or classes of persons having individuals in their employ or for different classes of employees, the determination shall be based solely upon unemployment experience and other factors bearing a direct relation to unemployment risk; (B) only if such State law makes provision for the refund of any contributions required under such law from an instrumentality of the United States or its employees for any year in the event such State is not certified by the Secretary of Labor under section 3304 with respect to such year; and (C) only if such State law makes provision for the payment of unemployment compensation to any employee of any such instrumentality of the United States in the same amount, on the same terms, and subject to the same conditions as unemployment compensation is payable to employees of other employers under the State unemployment compensation law.”

*Infra.*

*Post*, p. 986.

(b) The third sentence of section 3305(g) of such Code is amended by striking out “not wholly” and inserting in lieu thereof “neither wholly nor partially”.

(c) Section 3306(c)(6) of such Code is amended to read as follows:

26 USC 3306.

“(6) service performed in the employ of the United States Government or of an instrumentality of the United States which is—

“(A) wholly or partially owned by the United States, or

“(B) exempt from the tax imposed by section 3301 by virtue of any provision of law which specifically refers to such section (or the corresponding section of prior law) in granting such exemption;”

*Ante*, p. 980.

(d) (1) Chapter 23 of such Code is amended by renumbering section 3308 as section 3309 and by inserting after section 3307 the following new section:

26 USC 3308,  
3309, 3307.

“SEC. 3308. INSTRUMENTALITIES OF THE UNITED STATES.

“Notwithstanding any other provision of law (whether enacted before or after the enactment of this section) which grants to any instrumentality of the United States an exemption from taxation, such instrumentality shall not be exempt from the tax imposed by section 3301 unless such other provision of law grants a specific exemption, by reference to section 3301 (or the corresponding section of prior law), from the tax imposed by such section.”



(2) The table of sections for such chapter is amended by striking out the last line and inserting in lieu thereof the following:

"Sec. 3308. Instrumentalities of the United States.

"Sec. 3309. Short title."

42 USC 1361.

(e) So much of the first sentence of section 1501(a) of the Social Security Act as precedes paragraph (1) is amended by striking out "wholly" and inserting in lieu thereof "wholly or partially".

42 USC 1367.

(f) The first sentence of section 1507(a) of the Social Security Act is amended by striking out "wholly" and inserting in lieu thereof "wholly or partially".

73 Stat. 390.  
12 USC 640l  
note.  
Ante, p. 983.

(g) Notwithstanding section 203(b) of the Farm Credit Act of 1959, sections 3305(b), 3306(c) (6), and 3308 of the Internal Revenue Code of 1954 and sections 1501(a) and 1507(a) of the Social Security Act shall be applicable, according to their terms, to the Federal land banks, Federal intermediate credit banks, and banks for cooperatives.

#### AMERICAN AIRCRAFT

26 USC 3306.

SEC. 532. (a) So much of section 3306(c) of the Internal Revenue Code of 1954 as precedes paragraph (1) thereof is amended by striking out "or (B) on or in connection with an American vessel" and all that follows down through the phrase "outside the United States," and by inserting in lieu thereof the following: "or (B) on or in connection with an American vessel or American aircraft under a contract of service which is entered into within the United States or during the performance of which and while the employee is employed on the vessel or aircraft it touches at a port in the United States, if the employee is employed on and in connection with such vessel or aircraft when outside the United States,".

(b) Section 3306(c) (4) of such Code is amended to read as follows:

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

(c) Section 3306(m) of such Code is amended—

(1) by striking out the heading and inserting in lieu thereof the following:

"(m) AMERICAN VESSEL AND AIRCRAFT.—"; and

(2) by striking out the period at the end thereof and inserting in lieu thereof a semicolon and the following: "and the term 'American aircraft' means an aircraft registered under the laws of the United States."

#### FEEDER ORGANIZATIONS, ETC.

SEC. 533. Section 3306(c) (8) of the Internal Revenue Code of 1954 is amended to read as follows:

26 USC 501.

"(8) service performed in the employ of a religious, charitable, educational, or other organization described in section 501(c) (3) which is exempt from income tax under section 501(a) ;".

#### FRATERNAL BENEFICIARY SOCIETIES, AGRICULTURAL ORGANIZATIONS, VOLUNTARY EMPLOYEES' BENEFICIARY ASSOCIATIONS, ETC.

SEC. 534. Section 3306(c) (10) of the Internal Revenue Code of 1954 is amended to read as follows:

"(10) (A) service performed in any calendar quarter in the employ of any organization exempt from income tax under section 501(a) (other than an organization described in section

401(a)) or under section 521, if the remuneration for such service is less than \$50, or

26 USC 401, 521.

“(B) service performed in the employ of a school, college, or university, if such service is performed by a student who is enrolled and is regularly attending classes at such school, college, or university;”.

#### EFFECTIVE DATE

SEC. 535. The amendments made by this part (other than the amendments made by subsections (e) and (f) of section 531) shall apply with respect to remuneration paid after 1961 for services performed after 1961. The amendments made by subsections (e) and (f) of section 531 shall apply with respect to any week of unemployment which begins after December 31, 1960.

### PART 4—EXTENSION OF FEDERAL-STATE UNEMPLOYMENT COMPENSATION PROGRAM TO PUERTO RICO

#### EXTENSION OF TITLES III, IX, AND XII OF THE SOCIAL SECURITY ACT

SEC. 541. Effective on and after January 1, 1961, paragraphs (1) and (2) of section 1101(a) of the Social Security Act are amended to read as follows:

42 USC 1301.

“(1) The term ‘State’, except where otherwise provided, includes the District of Columbia and the Commonwealth of Puerto Rico, and when used in titles I, IV, V, VII, X, and XIV includes the Virgin Islands and Guam.

*Post*, p. 987.  
42 USC 301, 601,  
701, 902, 1201,  
1351.

“(2) The term ‘United States’ when used in a geographical sense means, except where otherwise provided, the States, the District of Columbia, and the Commonwealth of Puerto Rico.”

#### FEDERAL EMPLOYEES AND EX-SERVICEMEN

SEC. 542. (a) (1) Effective with respect to weeks of unemployment beginning after December 31, 1965, section 1503(b) of such Act is amended by striking out “Puerto Rico or”.

42 USC 1363.

(2) Effective with respect to first claims filed after December 31, 1965, paragraph (3) of section 1504 of such Act is amended by striking out “Puerto Rico or” wherever appearing therein.

42 USC 1364.

(b) (1) Effective on and after January 1, 1961 (but only in the case of weeks of unemployment beginning before January 1, 1966)—

42 USC 1362.

(A) Section 1502(b) of such Act is amended by striking out “(b) Any” and inserting in lieu thereof “(b) (1) Except as provided in paragraph (2), any”, and by adding at the end thereof the following new paragraph:

“(2) In the case of the Commonwealth of Puerto Rico, the agreement shall provide that compensation will be paid by the Commonwealth of Puerto Rico to any Federal employee whose Federal service and Federal wages are assigned under section 1504 to such Commonwealth, with respect to unemployment after December 31, 1960 (but only in the case of weeks of unemployment beginning before January 1, 1966), in the same amount, on the same terms, and subject to the same conditions as the compensation which would be payable to such employee under the unemployment compensation law of the District of Columbia if such employee’s Federal service and Federal wages had been included as employment and wages under such law, except that if such employee, without regard to his Federal service and Federal wages, has employment or wages sufficient to qualify for any compensation during the benefit year under such law, then payments of compensation under this subsection shall be made only on the basis

*Ante*, p. 985.

of his Federal service and Federal wages. In applying this paragraph or subsection (b) of section 1503, as the case may be, employment and wages under the unemployment compensation law of the Commonwealth of Puerto Rico shall not be combined with Federal service or Federal wages."

(B) Section 1503(a) of such Act is amended by adding at the end thereof the following: "For the purposes of this subsection, the term 'State' does not include the Commonwealth of Puerto Rico."

(C) Section 1503(b) of such Act is amended by adding at the end thereof the following: "This subsection shall apply in respect of the Commonwealth of Puerto Rico only if such Commonwealth does not have an agreement under this title with the Secretary."

(2) Effective on and after January 1, 1961 (but only in the case of first claims filed before January 1, 1966), section 1504 of such Act is amended by adding after and below paragraph (3) the following: "For the purposes of paragraph (2), the term 'United States' does not include the Commonwealth of Puerto Rico."

(c) Effective on and after January 1, 1961—

(1) section 1503(d) of such Act is amended by striking out "Puerto Rico and", and by striking out "agencies" each place it appears and inserting in lieu thereof "agency"; and

(2) section 1511(e) of such Act is amended by striking out "Puerto Rico or".

(d) The last sentence of section 1501(a) of such Act is amended to read as follows:

"For the purpose of paragraph (5) of this subsection, the term 'United States' when used in the geographical sense means the States, the District of Columbia, the Commonwealth of Puerto Rico, and the Virgin Islands."

#### EXTENSION OF FEDERAL UNEMPLOYMENT TAX ACT

26 USC 3306.

SEC. 543. (a) Effective with respect to remuneration paid after December 31, 1960, for services performed after such date, section 3306(j) of the Internal Revenue Code of 1954 is amended to read as follows:

"(j) STATE, UNITED STATES, AND CITIZEN.—For purposes of this chapter—

"(1) STATE.—The term 'State' includes the District of Columbia and the Commonwealth of Puerto Rico.

"(2) UNITED STATES.—The term 'United States' when used in a geographical sense includes the States, the District of Columbia, and the Commonwealth of Puerto Rico.

An individual who is a citizen of the Commonwealth of Puerto Rico (but not otherwise a citizen of the United States) shall be considered for purposes of this section, as a citizen of the United States."

(b) The unemployment compensation law of the Commonwealth of Puerto Rico shall be considered as meeting the requirements of—

26 USC 3304.

(1) Section 3304(a)(2) of the Federal Unemployment Tax Act, if such law provides that no compensation is payable with respect to any day of unemployment occurring before January 1, 1959.

42 USC 503.

(2) Section 3304(a)(3) of the Federal Unemployment Tax Act and section 303(a)(4) of the Social Security Act, if such law contains the provisions required by those sections and if it requires that, on or before February 1, 1961, there be paid over to the Secretary of the Treasury, for credit to the Puerto Rico

account in the Unemployment Trust Fund, an amount equal to the excess of—

(A) the aggregate of the moneys received in the Puerto Rico unemployment fund before January 1, 1961, over

(B) the aggregate of the moneys paid from such fund before January 1, 1961, as unemployment compensation or as refunds of contributions erroneously paid.

(c) Effective on and after January 1, 1961, section 5(b) of the Act of June 6, 1933, as amended (29 U.S.C., sec. 49d(b)), is amended by striking out "Puerto Rico, Guam," and inserting in lieu thereof "Guam".

48 Stat. 114.

## TITLE VI—MEDICAL SERVICES FOR THE AGED

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

SEC. 601. (a) The heading of title I of the Social Security Act is amended to read as follows:

"TITLE I—GRANTS TO STATES FOR OLD-AGE ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED"

(b) Sections 1 and 2 of such Act are amended to read as follows: <sup>42 USC 301, 302.</sup>

#### "APPROPRIATION

"SECTION 1. For the purpose (a) of enabling each State as far as practicable under the conditions in such State, to furnish financial assistance to aged needy individuals and of encouraging each State, as far as practicable under such conditions, to help such individuals attain self-care, and (b) of enabling each State, as far as practicable under the conditions in such State, to furnish medical assistance on behalf of aged individuals who are not recipients of old-age assistance but whose income and resources are insufficient to meet the costs of necessary medical services, there is hereby authorized to be appropriated for each fiscal year a sum sufficient to carry out the purposes of this title. The sums made available under this section shall be used for making payments to States which have submitted, and had approved by the Secretary of Health, Education, and Welfare (hereinafter referred to as the 'Secretary'), State plans for old-age assistance, or for medical assistance for the aged, or for old-age assistance and medical assistance for the aged.

#### "STATE OLD-AGE AND MEDICAL ASSISTANCE PLANS

"SEC. 2. (a) A State plan for old-age assistance, or for medical assistance for the aged, or for old-age assistance and medical assistance for the aged must—

"(1) provide that it shall be in effect in all political subdivisions of the State, and, if administered by them, be mandatory upon them;

"(2) provide for financial participation by the State;

"(3) either provide for the establishment or designation of a single State agency to administer the plan, or provide for the establishment or designation of a single State agency to supervise the administration of the plan;



"(4) provide for granting an opportunity for a fair hearing before the State agency to any individual whose claim for assistance under the plan is denied or is not acted upon with reasonable promptness;

"(5) provide such methods of administration (including methods relating to the establishment and maintenance of personnel standards on a merit basis, except that the Secretary shall exercise no authority with respect to the selection, tenure of office, and compensation of any individual employed in accordance with such methods) as are found by the Secretary to be necessary for the proper and efficient operation of the plan;

"(6) provide that the State agency will make such reports, in such form and containing such information, as the Secretary may from time to time require, and comply with such provisions as the Secretary may from time to time find necessary to assure the correctness and verification of such reports;

"(7) provide safeguards which restrict the use or disclosure of information concerning applicants and recipients to purposes directly connected with the administration of the State plan;

"(8) provide that all individuals wishing to make application for assistance under the plan shall have opportunity to do so, and that such assistance shall be furnished with reasonable promptness to all eligible individuals;

"(9) provide, if the plan includes assistance for or on behalf of individuals in private or public institutions, for the establishment or designation of a State authority or authorities which shall be responsible for establishing and maintaining standards for such institutions;

"(10) if the State plan includes old-age assistance—

"(A) provide that the State agency shall, in determining need for such assistance, take into consideration any other income and resources of an individual claiming old-age assistance;

"(B) include reasonable standards, consistent with the objectives of this title, for determining eligibility for and the extent of such assistance; and

"(C) provide a description of the services (if any) which the State agency makes available to applicants for and recipients of such assistance to help them attain self-care, including a description of the steps taken to assure, in the provision of such services, maximum utilization of other agencies providing similar or related services; and

"(11) if the State plan includes medical assistance for the aged—

"(A) provide for inclusion of some institutional and some noninstitutional care and services;

"(B) provide that no enrollment fee, premium, or similar charge will be imposed as a condition of any individual's eligibility for medical assistance for the aged under the plan;

"(C) provide for inclusion, to the extent required by regulations prescribed by the Secretary, of provisions (conforming to such regulations) with respect to the furnishing of such assistance to individuals who are residents of the State but are absent therefrom;

“(D) include reasonable standards, consistent with the objectives of this title, for determining eligibility for and the extent of such assistance; and

“(E) provide that no lien may be imposed against the property of any individual prior to his death on account of medical assistance for the aged paid or to be paid on his behalf under the plan (except pursuant to the judgment of a court on account of benefits incorrectly paid on behalf of such individual), and that there shall be no adjustment or recovery (except, after the death of such individual and his surviving spouse, if any, from such individual's estate) of any medical assistance for the aged correctly paid on behalf of such individual under the plan.

“(b) The Secretary shall approve any plan which fulfills the conditions specified in subsection (a), except that he shall not approve any plan which imposes, as a condition of eligibility for assistance under the plan—

“(1) an age requirement of more than sixty-five years; or

“(2) any residence requirement which (A) in the case of applicants for old-age assistance, excludes any resident of the State who has resided therein five years during the nine years immediately preceding the application for old-age assistance and has resided therein continuously for one year immediately preceding the application, and (B) in the case of applicants for medical assistance for the aged, excludes any individual who resides in the State; or

“(3) any citizenship requirement which excludes any citizen of the United States.

“(c) Nothing in this title shall be construed to permit a State to have in effect with respect to any period more than one State plan approved under this title.”

(c) Section 3(a) of such Act is amended to read as follows:

42 USC 303.

“SEC. 3. (a) From the sums appropriated therefor, the Secretary of the Treasury shall pay to each State which has a plan approved under this title, for each quarter, beginning with the quarter commencing October 1, 1960—

“(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 old-age assistance under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof)—

“(A) four-fifths of such expenditures, not counting so much of any expenditure with respect to any month as exceeds the product of \$30 multiplied by the total number of recipients of old-age assistance for such month (which total number, for purposes of this subsection, means (i) the number of individuals who received old-age assistance in the form of money payments for such month, plus (ii) the number of other individuals with respect to whom expenditures were made in such month as old-age assistance in the form of medical or any other type of remedial care); plus

“(B) the Federal percentage (as defined in section 1101(a)(8)) 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 the product of \$65 multiplied by the total number of such recipients of old-age assistance for such month; plus

Post, p. 992.

“(C) the larger of the following: (i) the Federal medical percentage (as defined in section 6(c)) of the amount by which such expenditures exceed the maximum which may be counted under clause (B), not counting so much of any expenditure with respect to any month as exceeds (I) the product of \$77 multiplied by the total number of such recipients of old-age assistance for such month, or (II) if smaller, the total expended as old-age assistance in the form of medical or any other type of remedial care with respect to such month plus the product of \$65 multiplied by such total number of such recipients, or (ii) 15 per centum of the total of the sums expended during such quarter as old-age assistance under the State plan in the form of medical or any other type of remedial care, not counting so much of any expenditure with respect to any month as exceeds the product of \$12 multiplied by the total number of such recipients of old-age assistance for such month; and

“(2) in the case of Puerto Rico, the Virgin Islands, and Guam, an amount equal to—

“(A) one-half of the total of the sums expended during such quarter as old-age assistance under the State plan (including expenditures for 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 \$35 multiplied by the total number of recipients of old-age assistance for such month; plus

“(B) the larger of the following amounts: (i) one-half 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 \$41 multiplied by the total number of such recipients of old-age assistance for such month, or (II) if smaller, the total expended as old-age assistance in the form of medical or any other type of remedial care with respect to such month plus the product of \$35 multiplied by the total number of such recipients, or (ii) 15 per centum of the total of the sums expended during such quarter as old-age assistance under the State plan in the form of medical or any other type of remedial care, not counting so much of any expenditure with respect to any month as exceeds the product of \$6 multiplied by the total number of such recipients of old-age assistance for such month; and

“(3) in the case of any State, an amount equal to the Federal medical percentage (as defined in section 6(c)) of the total amounts expended during such quarter as medical assistance for the aged under the State plan (including expenditures for insurance premiums for medical or any other type of remedial care or the cost thereof); and

“(4) in the case of any State, an amount equal to one-half of the total of the sums 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, including services which are provided by the staff of the State agency (or of the local agency administering the State plan in the political subdivision) to applicants for and recipients of old-age assistance to help them attain self-care.”

(d) Section 3(b)(2)(B) of such Act is amended by striking out “old-age assistance” and inserting in lieu thereof “assistance”.

(e) Section 4 of such Act is amended by striking out "State plan for old-age assistance which has been approved" and inserting in lieu thereof "State plan which has been approved under this title".

42 USC 304.

(f) (1) Section 6 of such Act is amended by striking out "but does not include" and all that follows and inserting in lieu thereof "but does not include—

42 USC 306.

"(1) any such payments to or care in behalf of any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases, or

"(2) any such payments to any individual who has been diagnosed as having tuberculosis or psychosis and is a patient in a medical institution as a result thereof, or

"(3) any such care in behalf of any individual, who is a patient in a medical institution as a result of a diagnosis that he has tuberculosis or psychosis, with respect to any period after the individual has been a patient in such an institution, as a result of such diagnosis, for forty-two days."

(2) Section 6 is further amended by inserting "(a)" immediately after "Sec. 6." and by adding after such section 6 the following new subsections:

"(b) For purposes of this title, the term 'medical assistance for the aged' means payment of part or all of the cost of the following care and services for individuals sixty-five years of age or older who are not recipients of old-age assistance but whose income and resources are insufficient to meet all of such cost—

- "(1) inpatient hospital services;
- "(2) skilled nursing-home services;
- "(3) physicians' services;
- "(4) outpatient hospital or clinic services;
- "(5) home health care services;
- "(6) private duty nursing services;
- "(7) physical therapy and related services;
- "(8) dental services;
- "(9) laboratory and X-ray services;
- "(10) prescribed drugs, eyeglasses, dentures, and prosthetic devices;
- "(11) diagnostic, screening, and preventive services; and
- "(12) any other medical care or remedial care recognized under State law;

except that such term does not include any such payments with respect to—

"(A) care or services for any individual who is an inmate of a public institution (except as a patient in a medical institution) or any individual who is a patient in an institution for tuberculosis or mental diseases; or

"(B) care or services for any individual, who is a patient in a medical institution as a result of a diagnosis of tuberculosis or psychosis, with respect to any period after the individual has been a patient in such an institution, as a result of such diagnosis, for forty-two days.

"(c) For purposes of this title, the term 'Federal medical percentage' for any State shall be 100 per centum less the State percentage; and the State percentage shall be that percentage which bears the same ratio to 50 per centum as the square of the per capita income of such State bears to the square of the per capita income of the continental United States (including Alaska) and Hawaii; except that (i) the Federal medical percentage shall in no case be less than 50 per centum or more than 80 per centum, and (ii) the Federal medical per-



*Infra.*

centage for Puerto Rico, the Virgin Islands, and Guam shall be 50 per centum. The Federal medical percentage for any State shall be determined and promulgated in accordance with the provisions of subparagraph (B) of section 1101(a)(8) (other than the proviso at the end thereof); except that the Secretary shall, as soon as possible after enactment of the Social Security Amendments of 1960, determine and promulgate the Federal medical percentage for each State—

“(1) for the period beginning October 1, 1960, and ending with the close of June 30, 1961, which promulgation shall be based on the same data with respect to per capita income as the data used by the Secretary in promulgating the Federal percentage (under section 1101(a)(8)) for such State for the fiscal year ending June 30, 1961 (which promulgation of the Federal medical percentage shall be conclusive for such period), and

“(2) for the period beginning July 1, 1961, and ending with the close of June 30, 1963, which promulgation shall be based on the same data with respect to per capita income as the data used by the Secretary in promulgating the Federal percentage (under section 1101(a)(8)) for such State for such period (which promulgation of the Federal medical percentage shall be conclusive for such period).”

#### INCREASE IN LIMITATIONS ON ASSISTANCE PAYMENT TO PUERTO RICO, THE VIRGIN ISLANDS, AND GUAM

42 USC 1308.

SEC. 602. Section 1108 of the Social Security Act is amended by—

(1) striking out “\$8,500,000” and inserting in lieu thereof “\$9,000,000, of which \$500,000 may be used only for payments certified with respect to section 3(a)(2)(B)”;

(2) striking out “\$300,000” and inserting in lieu thereof “\$315,000, of which \$15,000 may be used only for payments certified in respect to section 3(a)(2)(B)”;

(3) striking out “\$400,000” and inserting in lieu thereof “\$420,000, of which \$20,000 may be used only for payments certified in respect to section 3(a)(2)(B)”;

(4) striking out “titles I, IV, X, and XIV”, and inserting in lieu thereof “titles I (other than section 3(a)(3) thereof), IV, X, and XIV”.

*Ante*, p. 989.

#### TECHNICAL AMENDMENT

SEC. 603. (a) Section 618 of the Revenue Act of 1951 (65 Stat. 569) is amended by striking out “title I” and inserting in lieu thereof “title I (other than section 3(a)(3) thereof)”.

(b) The amendment made by subsection (a) shall take effect October 1, 1960.

#### EFFECTIVE DATES

SEC. 604. The amendments made by section 601 of this Act shall take effect October 1, 1960, and the amendments made by section 602 shall be effective with respect to fiscal years ending after 1960.

### TITLE VII—MISCELLANEOUS

#### INVESTMENT OF TRUST FUNDS

42 USC 401.

SEC. 701. (a) Section 201(c) of the Social Security Act is amended by inserting after the third sentence the following new sentence: “The Board of Trustees shall meet not less frequently than once each six months.”

(b) Section 201(c) (3) of such Act is amended to read as follows:

"(3) Report immediately to the Congress whenever the Board of Trustees is of the opinion that the amount of either of the Trust Funds is unduly small;"

(c) Section 201(c) of such Act is further amended by striking out the period at the end of paragraph (4) and inserting in lieu thereof "; and", and by inserting after paragraph (4) the following new paragraph:

"(5) Review the general policies followed in managing the Trust Funds, and recommend changes in such policies, including necessary changes in the provisions of the law which govern the way in which the Trust Funds are to be managed."

(d) Section 201(d) of such Act is amended to read as follows:

"(d) It shall be the duty of the Managing Trustee to invest such portion of the Trust Funds as is not, in his judgment, required to meet current withdrawals. Such investments may be made only in interest-bearing obligations of the United States or in obligations guaranteed as to both principal and interest by the United States. For such purpose such obligations may be acquired (1) on original issue at the issue price, or (2) by purchase of outstanding obligations at the market price. The purposes for which obligations of the United States may be issued under the Second Liberty Bond Act, as amended, are hereby extended to authorize the issuance at par of public-debt obligation for purchase by the Trust Funds. Such obligations issued for purchase by the Trust Funds shall have maturities fixed with due regard for the needs of the Trust Funds and shall bear interest at a rate equal to the average market yield (computed by the Managing Trustee on the basis of market quotations as of the end of the calendar month next preceding the date of such issue) on all marketable interest-bearing obligations of the United States then forming a part of the public debt which are not due or callable until after the expiration of four years from the end of such calendar month; except that where such average market yield is not a multiple of one-eighth of 1 per centum, the rate of interest of such obligations shall be the multiple of one-eighth of 1 per centum nearest such market yield. The Managing Trustee may purchase other interest-bearing obligations of the United States or obligations guaranteed as to both principal and interest by the United States, on original issue or at the market price, only where he determines that the purchase of such other obligations is in the public interest."

(e) Section 201(e) of such Act is amended by striking out "special obligations" each place it appears and inserting in lieu thereof "public-debt obligations".

(f) The amendments made by this section shall take effect on the first day of the first month beginning after the date of the enactment of this Act.

#### SURVIVAL OF ACTIONS

SEC. 702. (a) Section 205(g) of the Social Security Act is amended by adding at the end thereof the following new sentence: "Any action instituted in accordance with this subsection shall survive notwithstanding any change in the person occupying the office of Secretary or any vacancy in such office."

(b) The amendment made by subsection (a) shall apply to actions which are pending in court on the date of the enactment of this Act or are commenced after such date.

42 USC 401.

40 Stat. 288.  
31 USC 774.

42 USC 401.

42 USC 405.

## PERIODS OF LIMITATION ENDING ON NONWORK DAYS

Ante, p. 968.

SEC. 703. Section 216 of the Social Security Act is amended by adding at the end thereof the following new subsection:

“Periods of Limitation Ending on Nonwork Days

“(j) Where this title, any provision of another law of the United States (other than the Internal Revenue Code of 1954) relating to or changing the effect of this title, or any regulation issued by the Secretary pursuant thereto provides for a period within which an act is required to be done which affects eligibility for or the amount of any benefit or payment under this title or is necessary to establish or protect any rights under this title, and such period ends on a Saturday, Sunday, or legal holiday, or on any other day all or part of which is declared to be a nonwork day for Federal employees by statute or Executive order, then such act shall be considered as done within such period if it is done on the first day thereafter which is not a Saturday, Sunday, or legal holiday or any other day all or part of which is declared to be a nonwork day for Federal employees by statute or Executive order. For purposes of this subsection, the day on which a period ends shall include the day on which an extension of such period, as authorized by law or by the Secretary pursuant to law, ends. The provisions of this subsection shall not extend the period during which benefits under this title may (pursuant to section 202(j)(1) or 223(b)) be paid for months prior to the day application for such benefits is filed, or during which an application for benefits under this title may (pursuant to section 202(j)(2) or 223(b)) be accepted as such.”

## ADVISORY COUNCIL ON SOCIAL SECURITY FINANCING

42 USC 401a.

SEC. 704. (a) Section 116(e) of the Social Security Amendments of 1956 is amended to read as follows:

“(e) During 1963, 1966, and every fifth year thereafter, the Secretary shall appoint an Advisory Council on Social Security Financing, with the same functions, and constituted in the same manner, as prescribed in the preceding subsections of this section. Each such Council shall report its findings and recommendations, as prescribed in subsection (d), not later than January 1 of the second year after the year in which it is appointed, after which date such Council shall cease to exist, and such report and recommendations shall be included in the annual report of the Board of Trustees to be submitted to the Congress not later than the March 1 following such January 1.”

(b) Section 116 of the Social Security Amendments of 1956 is further amended by adding at the end thereof the following new subsection:

“(f) The Advisory Council appointed under subsection (e) during 1963 shall, in addition to the other findings and recommendations it is required to make, include in its report its findings and recommendations with respect to extensions of the coverage of the old-age, survivors, and disability insurance program, the adequacy of benefits under the program, and all other aspects of the program.”

## MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED

SEC. 705. Title XI of the Social Security Act is amended by adding <sup>42 USC 1301-</sup>1310. at the end thereof the following new section:

## “MEDICAL CARE GUIDES AND REPORTS FOR PUBLIC ASSISTANCE AND MEDICAL ASSISTANCE FOR THE AGED

“SEC. 1112. In order to assist the States to extend the scope and content, and improve the quality, of medical care and medical services for which payments are made to or on behalf of needy and low-income individuals under this Act and in order to promote better public understanding about medical care and medical assistance for needy and low-income individuals, the Secretary shall develop and revise from time to time guides or recommended standards as to the level, content, and quality of medical care and medical services for the use of the States in evaluating and improving their public assistance medical care programs and their programs of medical assistance for the aged; shall secure periodic reports from the States on items included in, and the quantity of, medical care and medical services for which expenditures under such programs are made; and shall from time to time publish data secured from these reports and other information necessary to carry out the purposes of this section.”

## TEMPORARY EXTENSION OF CERTAIN SPECIAL PROVISIONS RELATING TO STATE PLANS FOR AID TO THE BLIND

SEC. 706. Section 344(b) of the Social Security Act Amendments of 1950 is amended by striking out “June 30, 1961” and inserting in lieu thereof “June 30, 1964”. <sup>42 USC 1202a note.</sup>

## MATERNAL AND CHILD WELFARE

SEC. 707. (a)(1)(A) Section 501 of the Social Security Act is amended by striking out “for each fiscal year beginning after June 30, 1958, the sum of \$21,500,000” and inserting in lieu thereof “for each fiscal year beginning after June 30, 1960, the sum of \$25,000,000”. <sup>42 USC 701.</sup>

(B) Section 502(a)(2) of such Act is amended by striking out “for each fiscal year beginning after June 30, 1958, the Secretary shall allot \$10,750,000 as follows: He shall allot to each State \$60,000 (even though the amount appropriated for such year is less than \$21,500,000), and shall allot each State such part of the remainder of the \$10,750,000” and inserting in lieu thereof “for each fiscal year beginning after June 30, 1960, the Secretary shall allot \$12,500,000 as follows: He shall allot to each State \$70,000 (even though the amount appropriated for such year is less than \$25,000,000), and shall allot each State such part of the remainder of the \$12,500,000”. <sup>42 USC 702.</sup>

(C) The first sentence of section 502(b) of such Act is amended by striking out “for each fiscal year beginning after June 30, 1958, the sum of \$10,750,000” and inserting in lieu thereof “for each fiscal year beginning after June 30, 1960, the sum of \$12,500,000”.

(2)(A) Section 511 of such Act is amended by striking out “for each fiscal year beginning after June 30, 1958, the sum of \$20,000,000” and inserting in lieu thereof “for each fiscal year beginning after June 30, 1960, the sum of \$25,000,000”. <sup>42 USC 711.</sup>



42 USC 712.

(B) Section 512(a)(2) of such Act is amended by striking out "for each fiscal year beginning after June 30, 1958, the Secretary shall allot \$10,000,000 as follows: He shall allot to each State \$60,000 (even though the amount appropriated for such year is less than \$20,000,000) and shall allot the remainder of the \$10,000,000" and inserting in lieu thereof "for each fiscal year beginning after June 30, 1960, the Secretary shall allot \$12,500,000 as follows: He shall allot to each State \$70,000 (even though the amount appropriated for such year is less than \$25,000,000) and shall allot the remainder of the \$12,500,000".

42 USC 721.

(C) The first sentence of section 512(b) of such Act is amended by striking out "for each fiscal year beginning after June 30, 1958, the sum of \$10,000,000" and inserting in lieu thereof "for each fiscal year beginning after June 30, 1960, the sum of \$12,500,000".

42 USC 722.

(3)(A) Section 521 of such Act is amended by striking out "for each fiscal year, beginning with the fiscal year ending June 30, 1959, the sum of \$17,000,000" and inserting in lieu thereof "for each fiscal year, beginning with the fiscal year ending June 30, 1961, the sum of \$25,000,000".

42 USC 702.

(B) Section 522(a) such Act is amended by striking out "such portion of \$60,000" and inserting in lieu thereof "\$50,000 or, if greater, such portion of \$70,000".

42 USC 703.

(b)(1)(A) The second sentence of section 502(b) of such Act is amended by inserting "from time to time" after "shall be allotted", and by inserting before the period at the end thereof the following: "; except that not more than 25 per centum of such sums shall be available for grants to State health agencies (administering or supervising the administration of a State plan approved under section 503), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of maternal and child health".

42 USC 704.

(B) Section 504(c) of such Act is amended by adding at the end thereof the following new sentence: "Payments of grants for special projects under section 502(b) may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants."

42 USC 712.

(2)(A) The second sentence of section 512(b) of such Act is amended by inserting "from time to time" after "shall be allotted", and by inserting before the period at the end thereof the following: "; except that not more than 25 per centum of such sums shall be available for grants to State agencies (administering or supervising the administration of a State plan approved under section 513), and to public or other nonprofit institutions of higher learning (situated in any State), for special projects of regional or national significance which may contribute to the advancement of services for crippled children".

42 USC 714.

(B) Section 514(c) of such Act is amended by adding at the end thereof the following new sentence: "Payments of grants for special projects under section 512(b) may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants."

(3) Part 3 of title V of such Act is amended by inserting at the end thereof the following new section:

**"RESEARCH OR DEMONSTRATION PROJECTS**

"SEC. 526. (a) There are hereby authorized to be appropriated for each fiscal year such sums as the Congress may determine for grants by the Secretary to public or other nonprofit institutions of higher learning, and to public or other nonprofit agencies and organizations engaged in research or child welfare activities, for special research or demonstration projects in the field of child welfare which are of regional or national significance and for special projects for the demonstration of new methods or facilities which show promise of substantial contribution to the advancement of child welfare.

"(b) Payments of grants for special projects under this section may be made in advance or by way of reimbursement, and in such installments, as the Secretary may determine; and shall be made on such conditions as the Secretary finds necessary to carry out the purposes of the grants."

(c) The amendments made by this section shall be effective only with respect to fiscal years beginning after June 30, 1960.

**AMENDMENT PRESERVING RELATIONSHIP BETWEEN RAILROAD RETIREMENT AND OLD-AGE, SURVIVORS, AND DISABILITY INSURANCE**

SEC. 708. Section 1(q) of the Railroad Retirement Act of 1937 is amended by striking out "1958" and inserting in lieu thereof "1960".

45 USC 228a.

**MEANING OF TERM "SECRETARY"**

SEC. 709. As used in this Act and the provisions of the Social Security Act amended by this Act the term "Secretary", unless the context otherwise requires, means the Secretary of Health, Education, and Welfare.

**AID TO THE BLIND**

SEC. 710. (a) Effective for the period beginning with the first day of the calendar quarter which begins after the date of enactment of this Act, and ending with the close of June 30, 1962, clause (8) of section 1002(a) of the Social Security Act is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard either (i) the first \$50 per month of earned income, or (ii) the first \$85 per month of earned income plus one-half of earned income in excess of \$85 per month;"

42 USC 1202.

(b) Effective July 1, 1962, clause (8) of such section 1002(a) is amended to read as follows: "(8) provide that the State agency shall, in determining need, take into consideration any other income and resources of the individual claiming aid to the blind; except that, in making such determination, the State agency shall disregard the first \$85 per month of earned income, plus one-half of earned income in excess of \$85 per month;"

Approved September 13, 1960.